



EPHRAIM MOGALE LOCAL MUNICIPALITY  
PERFORMANCE MANAGEMENT FRAMEWORK  
APPROVED BY COUNCIL ON 25/11/10 C1/04/2010

*Performance Management  
Framework*

## Approval Sheet

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## Preparation and Approval

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- ***What gets measured gets done;***
- ***If you do not measure results, you cannot tell success from failure;***
  - ***If you cannot see success, you cannot reward it;***
- ***If you cannot reward success, you are probably rewarding failure;***
  - ***If you cannot see success, you cannot reward it;***
  - ***If you cannot recognise failure, you cannot learn from***
  - ***If you can demonstrate result, you will win public support***

Source: Extract from Osborne & Gaebler, Reinventing Government, 1992

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## Definition of terms

Term	Definition
<b>Actions</b>	Actions are activities undertaken towards achieving products or services that need to be delivered. They are the building blocks of the KPA's.
<b>Assessment cycle</b>	The assessment cycle reflects the dates for individual PM assessment
<b>Balanced Scorecard</b>	The Balanced Scorecard is a best practice approach to performance management, providing a framework for measuring organisational performance, using four perspectives – financial, service delivery, organisational processes and learning & innovation
<b>Business plan</b>	The business plan is an operational plan of action developed for a period of one year
<b>Competencies</b>	Competencies are the knowledge, skills and attitudes required to perform effectively
<b>Core Management Competencies</b>	CMC's comprise a competency framework in the sense of a set of generic management competencies applicable to section 57 employees. CMCs that are deemed to be most critical for the employee's specific job should be selected from the list provided in the municipal performance regulations for section 57 employees. They should be agreed to between the employer and the employee.
<b>Evidence</b>	The proof that must be submitted to substantiate the level of achievement i.e. rating against the KPI and Target. Evidence must be independent, clearly reflect achievement, and signed off where possible.
<b>Indicators</b>	Indicators describe what is expected in terms of satisfactory performance. They set the required level of performance.
<b>Individual performance management system</b>	An individual performance management system is directed at the level of individuals within the organisation.
<b>Key performance areas</b>	Key performance areas are the end results of what we need to deliver within the next year
<b>Mandate</b>	Mandate is captured in policy and legislation and refers to the

Term	Definition
	constitutional requirements placed on municipal Council and administrations.
<b>Organisational performance management</b>	An organisational performance management system focuses on defining and directing performance at an organisational level towards achieving annual targets.
<b>Output</b>	A concrete achievement that contributes to the achievement of a longer-term outcome or goal.
<b>Performance agreement</b>	A performance agreement reflects the linking of an individual performance plan to the organisational goals and an analysis of what will be required to achieve effective performance.
<b>Performance appraisal system</b>	Performance appraisal is the annual assessment of performance. It is:  One of the aspects of managing individual performance; A cyclical and iterative process aimed primarily at performance improvement through ongoing learning and development.
<b>Performance management and development</b>	Performance management and development are all those processes and systems designed to manage and develop performance at the level of the public service, specific organisations components, teams and individuals.
<b>Performance plans</b>	Performance plans contain the essence of the performance management agreements, i.e. the performance agreements, workplans agreements and standards framework agreements.
<b>Performance standards</b>	Performance standards are mutually agreed criteria used to describe how well work must be done. They may be used to clarify the key performance areas of a job by describing what it means to do them well.
<b>Personal development plan</b>	A personal development plan outlines the areas in which improved levels of competence are required, and a process for ensuring the improvement.
<b>PM champions</b>	PM champions are the core group of people within each department who have been trained to support and assist with the implementation of the PM system. They work with departmental implementation teams.
<b>PM cycle</b>	The PM cycle describes the four phases through which the PM moves – planning and contracting, monitoring performance and evaluating performance. It should coincide with the financial year – 1 July to 30 June of each year.
<b>PM framework</b>	The PM framework describes the various components of the PM system and includes mechanisms for linking departmental plans to provincial strategic goals, and individual performance plans to departmental plans
<b>Points scale</b>	The points scale is a tool to be used when rating performance during the evaluation process.



Term	Definition
<b>Progress review</b>	A progress review is a structured and formal process in which the staff member receives feedback on his/her performance, thereby providing an opportunity for improvement before the annual review takes place. It also provides an opportunity for the written amendment of PM agreements
<b>Quantitative and qualitative measures</b>	Quantitative measures tell you “how much” or “how many” you have done while qualitative measures tell you “how well” you have done it.
<b>Rating scale</b>	The rating scale is a standard scale for rating employees' performance in relation to specific categories of performance. These are often used to introduce a degree of comparability into systems for performance assessment.
<b>Required resources</b>	Required resources identify what is needed to ensure effective performance. These could either be physical (infrastructural), financial or human resources.
<b>Standards framework agreement</b>	An SFA reflects the linking of an individual standards framework to the unit and organisational goals and an analysis of what will be required to achieve effective performance. It is used to assess the performance of professional staff and those involved in routine or process oriented work
<b>Strategic focus</b>	Strategic choice refers to a medium term commitment to achieving specific outcomes, based on prioritisation informed by contextual reality.
<b>Strategic goals</b>	Strategic goals are the outcomes or concrete positive results that the EMLM as a whole wishes to achieve.
<b>Strategic objectives</b>	Strategic objectives are statements that concretely and specifically describe results to be achieved and serve as a basis for clarifying intentions, for planning, for guiding activity, and for assessing achievement.
<b>Targets</b>	Targets are agreed upon quantitative or qualitative amounts that support performance indicators in describing the optimal level of performance required.
<b>360° review</b>	A 360° review refers to a process through which a staff member receives feedback on performance from above (manager), below (staff s/he manages) and the side (peers and colleagues)
<b>Vision</b>	Vision refers to the long term impact desired by an organisation
<b>Work-plan agreement</b>	A workplans agreement reflects the linking of an individual workplans to the organisational goals and an analysis of what will be required to achieve effective performance. It is usually used for staff who may have staff management responsibility with limited budgetary control, or project related tasks.



## Acronyms

Acronym	Explanation
<b>EMLM</b>	Ephraim Mogale Local Municipality
<b>CCR's</b>	Core Management and Occupational Competencies
<b>CoGTA</b>	Department of Cooperative Governance and Traditional Affairs
<b>HoD</b>	Head of Department
<b>HR</b>	Human Resources
<b>HRM</b>	Human Resource Management
<b>KPA</b>	Key Performance Area
<b>LRA</b>	Labour Relations Act, 1995
<b>MFMA</b>	Local Government: Municipal Finance Management Act, 56 of 2003
<b>MPPMR</b>	Municipal Planning and Performance Management Regulations, 2001
<b>MPRs57E</b>	Municipal Performance Regulations for Section 57 Employees
<b>MSA</b>	Local Government: Municipal Systems Act, 32 of 2000
<b>MTEF</b>	Medium Term Expenditure Framework
<b>PA</b>	Performance Agreement
<b>PM</b>	Performance Management
<b>PMFP</b>	Performance Management Framework and Policy document
<b>PSA</b>	Performance Standards Agreement

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# 1 INTRODUCTION

Performance management is a management tool to equip managers, supervisors, employees and stakeholders at different levels with techniques to regularly plan, continuously monitor, periodically measure and review performance of the organisation in terms of indicators and targets.

It is important to stress that the main purpose of the system should be to design measures to improve performance and should not be used as a rewarding or punitive tool.

PMS is a framework which describes how performance management will be addressed and implemented in the organisation. It also describes the roles of the various stakeholders involved in the process.

**The Municipal Systems Act, 2000**, which requires a municipality to establish a performance management system that is:

- Commensurate with its resources;
- Best suited to its circumstances; and
- In line with the priorities, indicators and targets contained in its integrated development plan.

The municipality is also required by the Act to:

- Promote a culture of performance among its political structures, political office bearers and councillors and in its administration; and
- Administer its affairs in an economical, effective, efficient and accountable manner.

**The Municipal Planning and Performance Management Regulations, 2001**, further instructs a municipality to ensure that its performance management system:

- Complies with the requirements of the Act.
- Demonstrates how the system will operate and be managed from the planning stage up to the stages of performance and reporting.
- Clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system.
- 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.
- Is adopted before or at the same time as the commencement of by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

The implementation of a performance management system framework should allow the municipality to collect, process, organise, analyse, audit, reflect and report on performance information. It should also allow the municipality to take practical steps to improve its performance.





## 1.1 PREAMBLE

In terms of Chapter 6 of the Municipal Systems Act (MSA), Act 32 of 2000, all municipalities must establish a Performance Management System (PMS) in order to promote a culture of performance management among its political structures, political office bearers, Councillors and its administration. The affairs of the municipality should also be conducted in an economical, effective, efficient and accountable manner.

The purpose of this policy document is to establish a process to develop a Performance Management Framework for Ephraim Mogale Local Municipality. The purpose of this framework is to initiate the developing, implementing, reporting and improving performance within the municipality.

The PMS is a dynamic tool and can change and develop over time as the organisation develops and circumstances change and the system is improved.

The organisational PMS framework should consist of the following:

- Legislative framework within which PMS will be executed;
- Internal and external stakeholders' involvement;
- Delegation of responsibilities;
- Establishing internal infrastructure;
- Structures created to promote stakeholder participation;
- Adoption of the system;
- Publication of the system.

## 1.2 Purpose of the Framework

The purpose of this document is to provide the principles and framework of performance management for Ephraim Mogale Local Municipality in order to outline policy framework and practical guidelines for the implementation of an integrated performance management system within the context of improved municipal performance and accelerated service delivery. This policy framework and guidelines culminates from the Municipal Systems Act (MSA), 2000, the Municipal Planning and Performance Management Regulations (MPPMR), 2001 and the Municipal Performance Regulations for Section 57 Employees (MPRs57E), 2006. The legislative framework that requires of each municipality to establish a performance management system that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its integrated development plan. The performance management system must also strive to promote a culture of performance management among its political structures, political office bearers and councillors and in its administration and administer its affairs in an economical, effective, efficient and accountable manner.

The municipality's performance management policy framework and procedure document must facilitate for holistic management of performance for all employees in the local municipality.

This Performance Management Framework is a proposed policy and procedure document for the Ephraim Mogale Local Municipality that sets out the following:

- The policy and legislative context for Performance Management
- Objectives and principles of Performance Management in local government
- Requirements and mechanisms for the development and implementation of a Performance Management System
- Guidelines for capacity building and institutional arrangements for Performance Management

The framework focuses primarily on both organizational performance management and employee performance management system. It details the parameters within which performance management processes will happen and deals with the following aspect, amongst others:

- The components of the system;
- Lines of accountability in managing performance;
- Aspects of performance that will be managed;
- Performance monitoring, measurement and review approaches;
- Approaches to respond to good and poor performance.



The framework is meant to assist the EMLM in its development and implementation of a performance management system that is aligned to the Integrated Development Plan (IDP) is suited to their circumstances and is within their resource constraints. The framework is intended to be adopted by the municipal council as the basis of their performance management system.

### 1.3 Why Performance Management?

Performance information indicates how well a municipality is meeting its aims and objectives, and which policies and processes are working. Making the best use of available data and knowledge is crucial for improving the execution of its mandate. Performance information is a key to effective management, including planning, budgeting, and implementation, monitoring and reporting.

Performance information also facilitates effective accountability, enabling councillors, members of the public and other interested parties to track progress, identify the scope for improvement and better understand the issues involved.

The municipality delivers services essential to the well-being and development of the communities. To ensure that service delivery is as efficient and economical as possible, municipalities are required to formulate strategic plans, allocate resources to the implementation of those plans, and monitor and report the results. Performance information is essential to focus the attention of the public and oversight bodies on whether municipalities are delivering value for money, by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required.

Performance information also plays a growing role in budget allocations and will increasingly be used to monitor service delivery. This means the information must be accurate, reliable and timely.

The most valuable reason for measuring performance is that ONLY what gets measured gets done. If an institution knows that its performance is being monitored, it is more likely to perform the required tasks - and to perform them well. In addition, the availability of performance information allows managers to pursue results-based management approaches, such as performance contracts, risk management, benchmarking and market testing.



## 1.4 Scope of Application

The provisions of the Performance Management Framework and Policy (PMFP) document are applicable to all employees of EMLM, subject to the relevant regulatory prescripts. The principles and guidelines embedded in the performance management framework and policy which have been developed to create a culture of performance management in the local municipality.

## 1.5 Primary Objectives of the Performance Management System

The objective of institutionalizing a Performance Management Framework & Policy is to serve as a primary mechanism to:

- Translate the vision, mission and IDP into clear, measurable outcomes and indicators and performance levels that define success which are shared throughout the municipality with all stakeholders;
- Enable EMLM to Plan, Monitor, Measure Report, and Review and Improve Organizational, Departmental and Individual Performance.
- Facilitate the creation of a performance culture and improve service delivery through the successful implementation of PMS.
- Improve the implementation of the IDP.
- Ensure integration and alignment of programmes across municipalities, departments and other sphere of Government.
- Promote accountability between various stakeholders.
- Help the municipality to improve Service delivery through the development of effective PMS.
- Alert the organization of failure to achieve the objectives of the IDP and government commitments.
- Develop meaningful interventions mechanisms to address failure.
- Create a culture of best practice and encourage shared learning among stakeholders.
- Provide a tool for assessing, managing and improving the overall health and success of processes and systems;
- Create a culture of best practices;
- Improve quality, cost, efficiency, effectiveness, customer service, employee alignment, motivation and skills in order to enhance performance;
- Provide a basis in terms of which the organisation's performance as well as individual employee's performance will be managed.
- Beyond fulfilling legislative requirements, a performance management system in the municipality will equip leaders, managers, workers and stakeholders within the municipality with the requisite tools to regularly plan, continuously monitor, periodically measure and review the performance of the municipality. Such



monitoring and reviewing is conducted in line with key performance indicators and targets to achieve efficiency, effectiveness and impact.

The primary objectives of the Performance Management System for the EMLM are outlined below.

#### 1.5.1 Facilitate Increased Accountability

The performance management system should provide the EMLM with a mechanism for ensuring increased accountability between:

- The citizens of EMLM and the municipal council;
- The political and administrative components of the municipality; and
- Each department and the executive office.

This will ensure that set targets are met in an economical, effective and efficient manner and all components of the municipality and individual employees are held accountable, thereby facilitating improved service delivery and value for money for the local community and citizens.

#### 1.5.2 Facilitate learning and improvement

While ensuring that accountability is maximised, the performance management system should also provide a mechanism for learning and improvement. It should allow the municipality to know which approaches are having the desired impact, and enable them to improve delivery. It should also form the basis for monitoring, evaluating and improving the IDP.

#### 1.5.3 Provide early warning signals

The performance management system should provide managers, the Municipal Manager, portfolio committees and the Executive Mayor with early warning signals of risks to the full implementation of the IDP. It is important that the system ensures that decision-makers are timeously informed of risks, so that they can facilitate intervention where necessary.

#### 1.5.4 Facilitate decision-making

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources.



## 2 Performance Management in Local Government

### 2.1 Legal framework

Table 1: Legal framework

Legislation, policy and regulations	Year of promulgation
Acts of Parliament	<ul style="list-style-type: none"> <li>• <b><u>The Constitution of the RSA, 1996, Section 152</u></b>, which deals with the objects of local government, paves the way for performance management with the requirements for an “accountable government”. Many of the democratic values and principles in terms of Section 195(1) of the Constitution can also be linked with the concept of performance management, with reference to the principles of, inter alia, the promotion of the efficient, economic and effective use of resources, accountable public administration, displaying transparency by making available information, being responsive to the needs of the community, and by facilitating a culture of public service and accountability amongst staff</li> <li>• The Labour Relations Act, 1995</li> <li>• Skills Development Act, 1998</li> <li>• Basic Conditions of Employment Act, 1997</li> <li>• Employment Equity Act, 1998</li> <li>• The Municipal Structures Act, 1998</li> <li>• <b><u>The Municipal Systems Act, 2000 (Act 32 of 2000)</u></b>: Picks up on these concepts and principles of accountability in Sections 4, 6, and 8. Section 11(3) specifically states that a municipality exercises its executive or legislative authority by, inter alia, “the setting of targets for delivery; monitoring and regulating municipal services provided by service providers; monitoring the impact and effectiveness of any services, policies, programmes or plans; and establishing and implementing performance management systems.”</li> </ul> <p><b><u>Chapter 6 of the Systems Act</u></b> deals specifically with performance management in local government. In terms of Section 38, a municipality must establish a Performance Management System (PMS); promote a culture of performance</p>



Legislation, policy and regulations	Year of promulgation
	<p>management among political structures, office bearers &amp; councillors and its administration, and administer its affairs in an economical, effective, efficient and accountable manner.</p> <p><b>Section 39</b> stipulates that the Executive Committee (EXCO) is responsible for the development of a PMS, for which purpose they may assign responsibilities to the Municipal Manager. The Exco is also responsible for submitting the PMS to Council for approval. Section 40 stipulates that a Municipality must establish mechanisms with which to monitor and review the PMS.</p> <p>In terms of <b>Section 41</b>, the core components of a PMS are to (i) set Key Performance Indicators (KPI's), (ii) set measurable performance targets (PT's), (iii) monitor performance &amp; measure and review annually, (iv) take steps to improve performance, and (v) establish a process of regular reporting.</p> <p><b>Section 42</b> requires that the community, in terms of the provisions of Chapter 4 of the Act, which deals with Public Participation, should be involved in the development, implementation and review of the PMS, and also that the community be involved with the setting of KPI's &amp; PT's for the municipality. In terms of section 43 the general key performance indicators to be applied by all municipalities may be prescribed by regulation.</p> <p><b>Section 44</b> stipulates that the KPI's and PT's in the PMS of the municipality must be made known both internally and externally in a manner described by the Council. Performance Management Framework</p> <p>In terms of <b>section 45</b>, the results of the performance measurement must be audited as part of the internal auditing processes and annually by the Auditor General.</p> <p><b>Section 46</b> also requires that the municipality prepare an annual report consisting of a (i) performance report, (ii) financial statements; (iii) audit report on financial statements; and (iv) any other reports in terms of legislative requirements. This report must be tabled within one month of receiving the audit report.</p> <p>In terms of <b>section 46(3)</b> the Municipal Manager must give proper notice of meetings at which the annual report will be</p>

Legislation, policy and regulations	Year of promulgation
	<p>tabled and submit information on same to the Auditor General &amp; the MEC for Local Government.</p> <p><b>Section 46(4)</b> stipulates that a Municipality must adopt the annual report and make copies available within 14 days, to the Auditor General, the MEC for Local Government and any others as may be prescribed by regulation.</p> <ul style="list-style-type: none"> <li>• The Promotion of Administrative Justice Act, 2000</li> <li>• The Municipal Finance Management Act, 2003</li> </ul>
White Papers	<ul style="list-style-type: none"> <li>• <b><i>The White Paper on Local Government (1998)</i></b>, introduced the practice of performance management for local government as a tool to facilitate their developmental role. Such practice further serves to increase the accountability of the municipality and the trust of the community in such municipality.</li> <li>• Transforming Public Service Delivery, 1997 (Batho Pele)</li> </ul>
Regulations	<ul style="list-style-type: none"> <li>• <b><i>The Municipal Planning and Performance Management Regulations (No 796, 24 August 2001)</i></b>. The regulations deal with provisions for the following aspects of the PMS: <p>The framework that describes and represents the municipality's cycle and processes for the PMS and other criteria and stipulations [S7], and the adoption of the PMS [S8];  The setting and review of Key Performance Indicators (KPI's) [S9 &amp; 11];</p> <p>The General KPI's which municipalities have to report on [S10], and which include:</p> <ul style="list-style-type: none"> <li>(i) Households with access to basic services</li> <li>(ii) Low income households with access to free basic services</li> <li>(iii) Capital budget spent in terms of the IDP</li> <li>(iv) Job creation in terms of the LED programme</li> <li>(v) Employment equity with target groups in the three highest levels of management</li> <li>(vi) The implementation of work skills plan</li> <li>(vii) The financial viability of the municipality.</li> </ul> <p>The setting of performance targets, and the monitoring, measurement and review of performance [S 12, 13];  Internal Auditing of performance measurements [S14];  Community participation in respect of performance management</p> </li> </ul>



Legislation, policy and regulations	Year of promulgation
	<p>[S15]</p> <ul style="list-style-type: none"> <li>• <b><u>Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 (No R. 805, 1 August 2006)</u></b> These regulations seek to set out how the performance of Municipal Managers and Managers directly accountable to Municipal Managers will be uniformly directed, monitored and improved.</li> </ul> <p><i><u>The regulations include the following:</u></i></p> <p><u>Chapter 2</u> deals with the requirements and provisions of the employment contracts;</p> <p><u>Chapter 3</u> deals with the performance agreements, which must include prescribed</p> <p><u>Chapter 4</u> deals with the content of a Job Description for Municipal Managers.</p>

## 2.2 Levels of performance management

Performance management for	By means of	Statutory provisions
Municipal managers	Performance agreement	Municipal Systems Act, 2000 [s. 57(2)], Chapter 6 Municipal Performance Regulations for Section 57 Employees, 2006
Managers directly accountable to the Municipal Manager	Performance agreement	Municipal Systems Act, 2000 [s. 57(2)], Chapter 6 Municipal Performance Regulations for Section 57 Employees, 2006
Managers (levels 3)	Performance agreement	Municipal Systems Act, 2000 [s. 57(2)], Chapter 6 Municipal Systems Act, 2000-Schedule 2: Code of Conduct for Municipal Staff Members- 3 Commitment to serving the public interest. Municipal Planning and Performance Management

Performance management for	By means of	Statutory provisions
		Regulations, 2001
All other staff members (levels 4 to 6)	Performance commitments	Municipal Systems Act, 2000 [s. 57(2)], Chapter 6 Municipal Systems Act, 2000-Schedule 2: Code of Conduct for Municipal Staff Members- 3 Commitment to serving the public interest. Municipal Planning and Performance Management Regulations, 2001
All other staff members (levels 7 to 14)	Standards framework	Municipal Systems Act, 2000 [s. 57(2)], Chapter 6 Municipal Systems Act, 2000-Schedule 2: Code of Conduct for Municipal Staff Members- 3 Commitment to serving the public interest. Municipal Planning and Performance Management Regulations, 2001, Batho Pele Principles

**Responsibilities**

The responsibilities for organisational performance management resort under such as the internal auditor or any other specialist in their field applicable to performance management as well as representatives of the trade unions as and when required.

The Steering committee is responsible for the following activities:

- The development and implementation of the organizational PMS;
- Ensuring George Municipality implements and complies with all legal aspects in respect of the PMS policy;
- Facilitating further development and refinement of the PMS;
- Continuously supporting the implementation, assessment, review, monitoring and computerization of the process;
- The compilation of the annual performance report.
- The Team will report to the Municipal Manager, who will in turn report to the Executive Mayor and finally to Council.

EXECUTIVE MAYOR (Mayoral Committee)



MUNICIPAL MANAGER (Executive Team)  
 PERFORMANCE MANAGEMENT SYSTEM (PMT)  
 Project leader: Deputy Municipal Manager  
 Deputy-Director: PMS  
 Director: HR  
 Director: IDP PIMSS  
 Managing Director:  
 Finance Internal auditor(s)

Illustration: PMS Organizational Structure of the George Municipality

The Municipal Manager and the Steering Committee will keep all role players informed about the development, implementation and review of the PMS in order to:

- Communicate their roles, responsibilities and expectations within the municipality and to the public;
- Encourage public participation through the communication of performance information and the creation of appropriate mechanisms; and
- Ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive.
- Upon introduction of the PMS, there will be training sessions for all staff. The emphasis of the training will be on those employees who are actively involved in the process as well as all supervisors. The PMS should include structures to improve the accountability to all stakeholders.

To ensure full compliance, the municipality will:

- Clarify and manage roles, responsibilities and expectations between the public and the municipality, between politicians and officials and amongst officials;
- Communicate these roles, responsibilities and expectations within the municipality and to the public;
- Intensify democracy by encouraging public participation through the communication of performance information and the creation of appropriate mechanisms;
- Create a mechanism for efficient decision-making regarding the allocation of resources;
- Introduce a diagnostic tool that indicates that the municipality is doing things right and also doing the right things the right way;
- Introducing if necessary an incentive structure, by rewarding successes and/or identifying opportunities for growth, learning and development; and
- Ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive.



## **2.3 Performance management for the municipal manager and managers directly accountable to the municipal manger (Section 57 employees)**

The MPRs57E, 2006, in Chapter 3 determine the following:

### **2.3.1 PRINCIPLES**

The performance of a person appointed to a post of a municipal manager and of a manager directly accountable to the municipal manager (section 57 employees) shall be managed in accordance with a performance agreement. Such an agreement shall be linked to the department's strategic goals and shall comply with the criteria prescribed in the MPRs57E, 2006.

### **2.3.2 PERFORMANCE MANAGEMENT AND DEVELOPMENT**

- A person newly appointed as a section 57 employee shall enter into a performance agreement.
- The purpose of the agreement is to-
  1. Assist a member of the SMS to define his or her key responsibilities and priorities;
  2. Encourage improved communication between that member and the person he or she reports to; and
  3. Enable the person that member reports to, to his or her work and provide appropriate support.
- The purpose of the agreement is to:
  1. Comply with the provisions of Section 57(1)(b),(4A),(4B) and (5) of the Act as well as the employment contract entered into between the parties;
  2. Specify objectives and targets established for the employee and to communicate to the employee the employer's expectations of the employee's performance expectations and accountabilities;
  3. Specify accountabilities as set out in a performance plan, which forms an annexure to the performance agreement;



4. Monitor and measure performance against set targeted outputs;
  5. Use the performance agreement as the basis for assessing the suitability of the employee for permanent employment and/or to assess whether the employee has met the performance expectations applicable to his or her job;
- The Minister for Cooperative Governance and Traditional Affairs (CoGTA) may issue directives on performance management and development for section 57 employees.
  - The CoGTA may also issue separate directives on performance management and development for municipal managers.
  - In regard to the above statements, the Minister for CoGTA has already issued the

**Local Government: Municipal Performance Regulations for Section 57 Employees, 2006.**

The regulations sets 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 (KPA's) and the Core Competency Requirements (CCR's), respectively.

Each area of assessment will be weighted and will contribute a specific part to the total score. KPA's covering the main areas of work will account for 80 % and CCR's will account for 20 % of the final assessment.

The regulations further introduced new elements that provide guidelines on performance management regime for section 57 employees.

These guidelines are:

- Mandatory assessment of demonstrated managerial competence of members of the section 57 employees;
- Standardised rating scale to which performance related rewards must be directly related;
- Two-tier reward system comprising a pay progression system and performance bonuses; and
- Reinforcement of personal development plans (PDP's).



In this regard, the EMLM Performance Management Framework and Policy provides that:

## 2.4 ANNUAL SALARY ADJUSTMENTS

All employees who met and exceeds the performance requirements as per the 5-point rating scale would be eligible for a performance bonus (see rating scale below).

### 2.4.1 Section 57 Employees

Annual salary adjustment of S57 Employees would be adjusted by the resolution of Council as per recommendations of the Executive Mayor and his Mayoral Committee and the Remuneration Committee.

### 2.4.2 Permanent and Fixed Term Contract Employees

Annual salary adjustments of permanent and fixed term employees will be determined by the annual salary increments negotiated in the Local Government Bargaining Council.

### 2.4.3 Performance related salary adjustments

Performance related salary adjustments may be made to achieve the market benchmarks in terms of the Remuneration policy.

### 2.4.4 Performance Incentives (Bonuses, etc)

- All section 57 employees would be eligible to receive a performance bonus of between 5% and 14% of their inclusive remuneration package.
- All permanent and fixed term contract employees would be eligible to receive performance bonuses of up to a maximum of 5% of 9% of their basic salary package.
- All employees must successfully complete at least one year's service as at 30th June and be formally assessed to qualify for a performance incentive.
- Employees who joined the organisation after the commencement of the performance management cycle, must complete 9 months or more, assessed and meet all the requirements of their performance plans to be eligible for a performance incentive.
- Employees who are still within their probationary periods as at 30th June will not be considered.



- In the event of termination of service for whatever reason, performance incentive is payable if the employee has successfully met all the requirements of his/her scorecard.

### **Municipal Performance Management Regulations, 2001**

The Municipal Performance Management Regulations (2001) describes the nature of performance management systems required in municipalities as follows:

- Nature of performance management system 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;
  - Defines 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;
  - Links organisational performance to employee performance;
  - Provides for the procedure by which the system is linked with the municipality's integrated development planning processes; and
  - Shows how any general key performance indicators envisaged in section 43 of the Act will be incorporated into the municipality's planning and monitoring processes.

The EMLM Performance Management framework strives to comply with these regulations.

### Performance Management Guidelines for Municipalities, 2001

The Local Government and Batho Pele White Papers, the Municipal Systems Act and the Municipal Performance Management Regulations do not constitute a framework that details how performance management processes should be undertaken in municipalities.

Each municipality is expected to develop such a framework themselves, and the Department of Provincial and Local Government have prepared the Performance Management Guidelines for Municipalities (2001) to assist municipalities in this regard.

This framework is strongly informed by the afore-mentioned guidelines.



## 2.5 APPLICABILITY OF FRAMEWORK

### 2.5.1 This policy framework is applicable to the Municipality.

The Municipal Systems Act (2000) places the responsibility on the Council to adopt a PMS, while holding the Executive Mayor responsible for the development and management of the system.

The Executive Mayor delegates the responsibility for the development and management of the PMS to the Municipal Manager of The Municipality. The Heads of Department will be responsible for executing the PMS in their respective departments according to the approved framework.

### 2.5.2 INTRODUCTION TO PERFORMANCE MANAGEMENT

In today's highly dynamic municipal environment, strategy has never been more important to succeed municipalities need to continuously reshape themselves. This requires tremendous strategic agility as well as superior execution of the chosen strategy. Municipalities that fail to engage their people to strategy execution fail to achieve their full potential. Success requires that employees are truly engaged and committed to their work and share the values and goals of the municipality.

#### 2.5.2.1 Commit People to Objectives

Municipal employees need to be motivated to work for reaching mutual goals by allowing them to examine the municipality's vision, strategy, and operational targets. It enables personnel at all levels of the municipality to identify their individual responsibilities and targets so that strategy becomes understandable in an everyday operational sense.

#### 2.5.2.2 Monitor, Analyse and Benchmark Performance

In terms of section 19 of the Structures Act, sections 39 – 41 of the Municipal Systems Act and section 7 (2) of the Municipal planning and performance management regulations the municipality must develop a performance management system (PMS) to monitor, analyse and benchmark its performance. Other legislative requirements include section 152 of the Constitution, Chapter 6 of the Municipal Systems Act, White Paper on Service Delivery and Chapter 6 of the MFMA.

#### 2.5.2.3 Execute Strategy





The PMS should be designed to drive organisational change, achieve continuous improvement and exceed performance targets. It should furthermore act as an excellent steering system for business management that commits people to objectives and processes. It should also focus on management processes and behaviours and it should not be considered an annual form filling in exercise.

#### 2.5.2.4 Integrate Performance Management to the Municipality

The PMS should ultimately allow for automatically updated performance data in order to provide the Council and its people with the current status of the municipal performance. Firstly should the IDP and municipal budget be integrated into the SDBIP where after it should be linked to individual performance contracts.

#### 2.5.2.5 Get Results Fast

The PMS should be implemented in such a way to enable the Council and its people to start enjoying the benefits of performance management from the first day of implementation.

#### 2.5.2.6 Engage Employees and Communities

Intuition tells us that when employees are truly engaged in their work and in the values and goals of the municipality, their behaviour will generally be supporting municipal success. It seems equally self-evident that disengaged employees are unlikely to give their best. In order to confirm this intuition several studies have been conducted. Research indeed indicates that engaged employees are more loyal—and the greater the number of more loyal employees, the lower the costs of recruiting, hiring, training, and developing, not to mention the positive effects on productivity. Engaged employees are also more willing to give extra effort when the municipality needs it.

Engaged employees in customer-facing roles are more likely to treat customers in ways that positively influence customer satisfaction. The same goes for communities. The local communities are required to be involved in the development, implementation and review of the municipality's PMS, specifically in relation to setting of appropriate key performance indicators and performance targets for the municipality.

#### 2.5.2.7 Collaborative Management

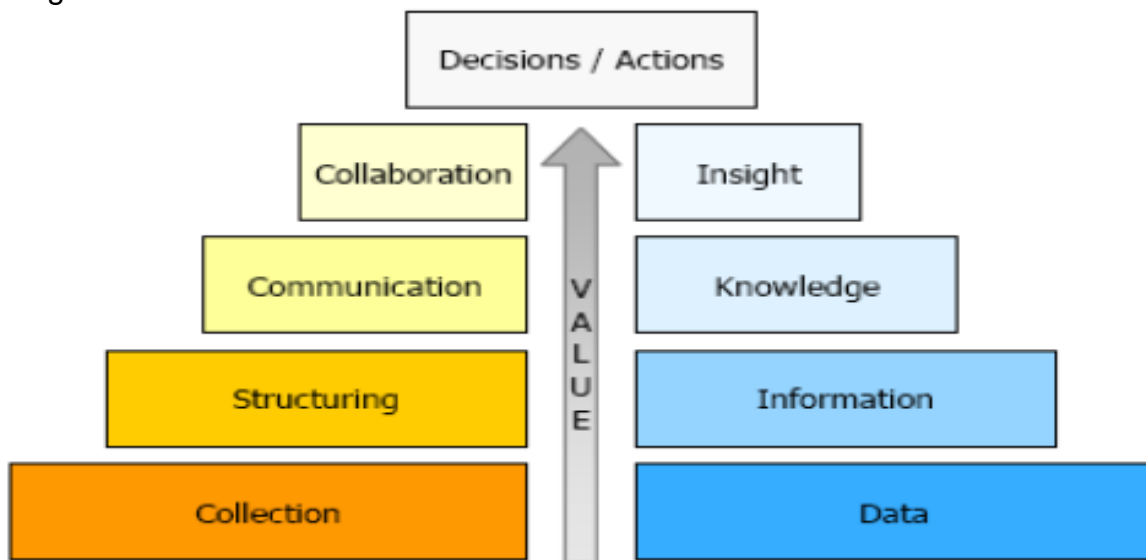
Implementing Collaborative management significantly improves the quality of leadership by the means of performance and process management. It gives the municipality an understandable direction, definite priorities and clear goals. Collaborative management also brings transparency and accountability to the leadership as well as introduces consistent and efficient management practices. Leadership is often thought of as an individual skill. This kind of thinking leads many



municipalities to miss the bigger picture: what is their collective capacity to lead? This is the municipality's leadership capability. It includes both the effective behaviours and the effective processes of leadership.

Organisational and individual development is in the heart of every modern leadership philosophy. Collaborative Management takes the development effort to a new level by engaging everyone in the municipality to develop themselves as well as take the initiative into municipal improvement. It prioritizes the improvement activities and links them to targets. In addition, Collaborative Management also makes realization and follow-up of development initiatives systematic.

Municipalities should provide employees with opportunities to develop their abilities, learn new skills, acquire new knowledge, and realise their creative potential. The people should be regarded as assets to be invested in, not as costs to be cut. Empowered employees become committed employees. They are respected for their talents, and trusted to discharge their responsibilities in the way they see fit. Municipalities collect and register an enormous amount of business and operational data and make this information available to people. However, the usage of this data is often limited by the fact that only very few people know what information is available and where to find it. Collaborative Management sets out to actively transform the information into knowledge communicating the information to all the relevant people and by creating insight by involving people to review, comment and analyse the information. The most crucial element of Collaborative Management is that it challenges the leadership to make decisions and take action based on this insight.



Traditional Corporate Performance Management (TCPM) relies heavily on creating organisational success by providing decision-makers with detailed data about the activities and performance of the municipality as well as strict top-down target setting. Collaborative management builds on the same data, but sets out to cultivate



that data into knowledge by letting people collaboratively process the information and by letting people participate in the measure definition and target setting process, thus also participate in giving strategic direction to the municipality. Replacing traditional top-down management with transparent and empowering leadership will create exceptional employee commitment. High levels of commitment are achieved not by telling employees what to think, but by listening to what they have to say.

## 3 INITIALISING THE PMS

### 3.1 Delegating responsibilities

In terms of the MSA, the Executive Mayor is responsible for the development and management of the PMS and it is the responsibility of Council to approve and adopt the system. The Executive Mayor can assign the responsibility for the management and development of PMS to the Municipal Manager.

However, the Executive Mayor remains accountable for PMS. The Senior Managers (Section 57 appointees) will be responsible for implementing PMS in their respective Departments according to the approved framework.

### 3.2 Responsibilities

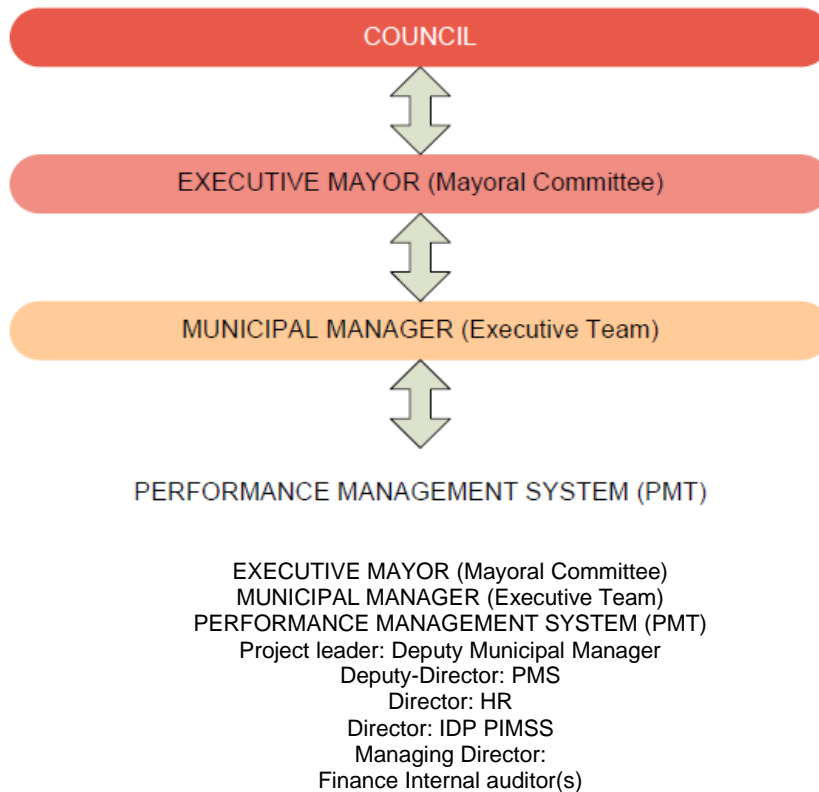
The responsibilities for organisational performance management resort under the IDP steering committee. The committee may co-opt additional members such as the internal auditor or any other specialist in their field applicable to performance management as well as representatives of the trade unions as and when required.

The Steering committee is responsible for the following activities:

- The development and implementation of the organizational PMS;
- Ensuring George Municipality implements and complies with all legal aspects in respect of the PMS policy;
- Facilitating further development and refinement of the PMS;
- Continuously supporting the implementation, assessment, review, monitoring and computerization of the process;
- The compilation of the annual performance report.

The Team will report to the Municipal Manager, who will in turn report to the Executive Mayor and finally to Council.





*Illustration: PMS Organizational Structure of the George Municipality*

The Municipal Manager and the Steering Committee will keep all role players informed about the development, implementation and review of the PMS in order to:

- Communicate their roles, responsibilities and expectations within the municipality and to the public;
- Encourage public participation through the communication of performance information and the creation of appropriate mechanisms; and
- Ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive.

Upon introduction of the PMS, there will be training sessions for all staff. The emphasis of the training will be on those employees who are actively involved in the process as well as all supervisors. The PMS should include structures to improve the accountability to all stakeholders.

To ensure full compliance, the municipality will:

- Clarify and manage roles, responsibilities and expectations between the public and the municipality, between politicians and officials and amongst officials;
- Communicate these roles, responsibilities and expectations within the municipality and to the public;
- Intensify democracy by encouraging public participation through the communication of performance information and the creation of appropriate mechanisms;



- Create a mechanism for efficient decision-making regarding the allocation of resources;
- Introduce a diagnostic tool that indicates that the municipality is doing things right and also doing the right things;
- Introducing if necessary an incentive structure, by rewarding successes and/or identifying opportunities for growth, learning and development; and
- Ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive.

## 4 Performance Management Framework for the EMLM

### 4.1 Development of the principles and framework

In February 2010, the Strategic Management Unit in the Ephraim Mogale Local Municipality commenced with the process of review the Performance Management Framework of the Ephraim Mogale Local Municipality (EMLM) in the Province of Limpopo. The review of the Performance Management Framework is aimed at ensuring adequate compliance with legislative provisions and policy framework. In addition to ensuring alignment to legislative requirements, the review process is aimed at providing enabling conditions to improving the District Council's performance and accelerates service delivery in Ephraim Mogale Local Municipality area.

In ensuring that the reviewed Performance Management Framework and Policy is a product of a broad consensus, various interviews and engagements will be undertaken to present proposed provisions. The framework and principles contained in the reviewed PM Framework and Policy remain imbedded in the legislative framework and policy provisions of the South African government. The reviewed policy seeks to provide a framework for the implementation of performance management in a uniform way throughout the municipality's administration.

The policy proposals also aim to create a common framework for the implementation of performance management for the municipality.



## 4.2 Organisational performance management

EMLM perceives organisational performance management as an integrated, systematic approach to improving organizational performance to achieve strategic aims and promote an organisation’s mission and values. Organisational performance is about ensuring that the municipality’s performance is congruent with its constitutional mandate and contributes to the improvement in the quality of life of all residents. The EMLM has adopted a PM Framework that links individual and teamwork behaviours to the organization's business strategies, goals, and values.

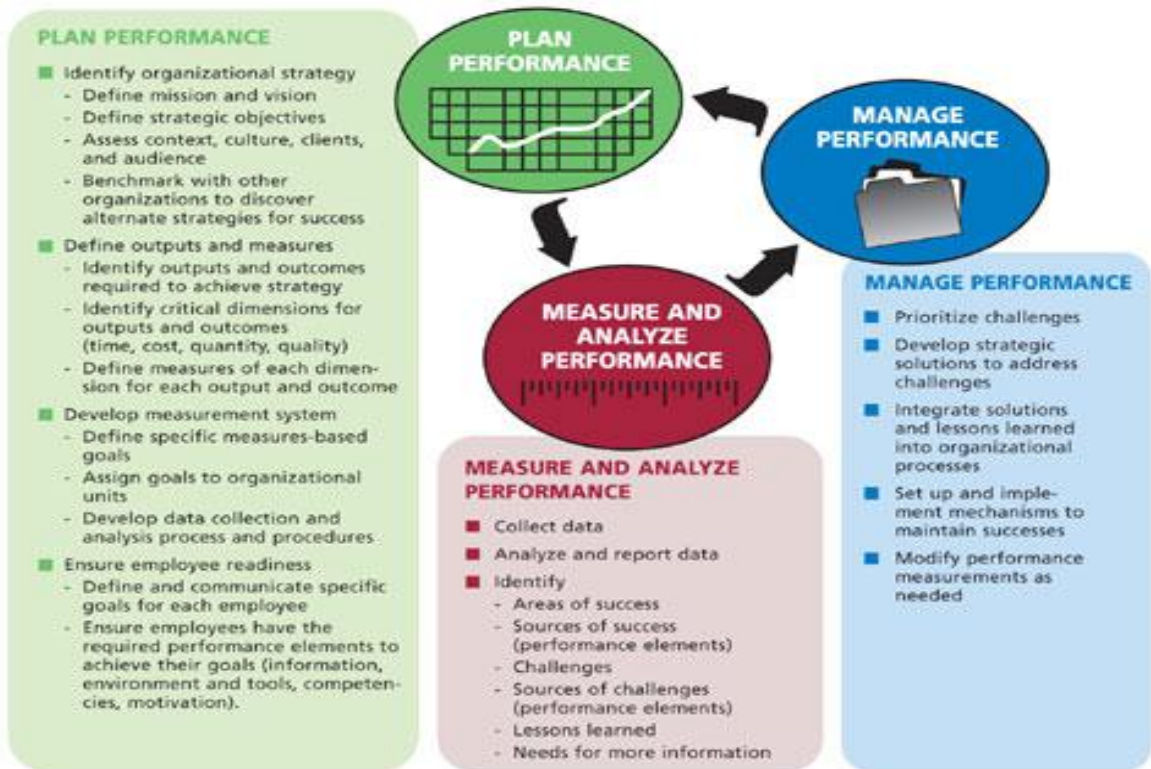


Figure 1: Organisational Performance Management

## 4.3 Individual performance management

The success of the municipality’s PM System and Framework is dependent on its employees. The municipality would not be able to



achieve its constitutional mandate and development priorities without each employee understanding his/her role and responsibility in achieving the strategic direction.

In this way, the PM System and Framework facilitates a continuous dialogue between leaders and employees to set performance expectations, monitor progress, and evaluate results. Together, leadership and staff work to plan, measure, analyse, and manage performance.

The EMLM PM System and Framework aims at improving the results of people's efforts by linking these to the organization's goals and objectives. It is, ideally, the means through which employees' performance can be improved by ensuring appropriate recognition and reward for their efforts, and by improving communication, learning and working arrangements.

#### **4.4 The performance management framework**

In today's local government environment all Councils are expected to aspire to the ideal. There is even a consensus on how to achieve the idea. The idea implies the drive to obtain 'clean audit reports' while engaging communities in the identification of their needs and priorities through effective democratic and community engagement. Councils are also expected to allocate limited resources on the basis of those priorities and develop creative and innovative service delivery mechanisms to ensure sustainable service delivery.

It is worth remembering that this approach, although not new by any means, requires a fundamental change in the way South African municipalities have been organised and the ways in which they have traditionally behaved in the past decade. Our approach seeks to stimulate a discussion that would see emphasis on managing government performance altered from one of indifference to that of a strong performance culture with effective rewards and sanctions.

This changed of emphasis requires a new kind of municipal organisation both in terms of structure and outlook. Making this change will involve more than identifying objectives, allocating resources and reorganising services, it will require political will,



adequate leadership, improved management processes, appropriate institutional design and aligned decision rights. Effective performance management framework is a foundation to realise these changes.

The Municipal Planning and Performance Management Regulations, 2001 requires municipalities to develop a performance management system that 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, organised and managed, including determining the roles of the different role-players.

A performance management framework is the way a municipality gathers, presents and uses its performance information. It is a practical plan, made up of mechanisms and processes, for the municipality to collect, process, organise, analyse, audit, reflect on and report performance information. These mechanisms and processes work in a cycle which must become part of the municipality’s normal planning and budgeting cycle. A framework is therefore about ‘how’ a municipality goes about working with performance information

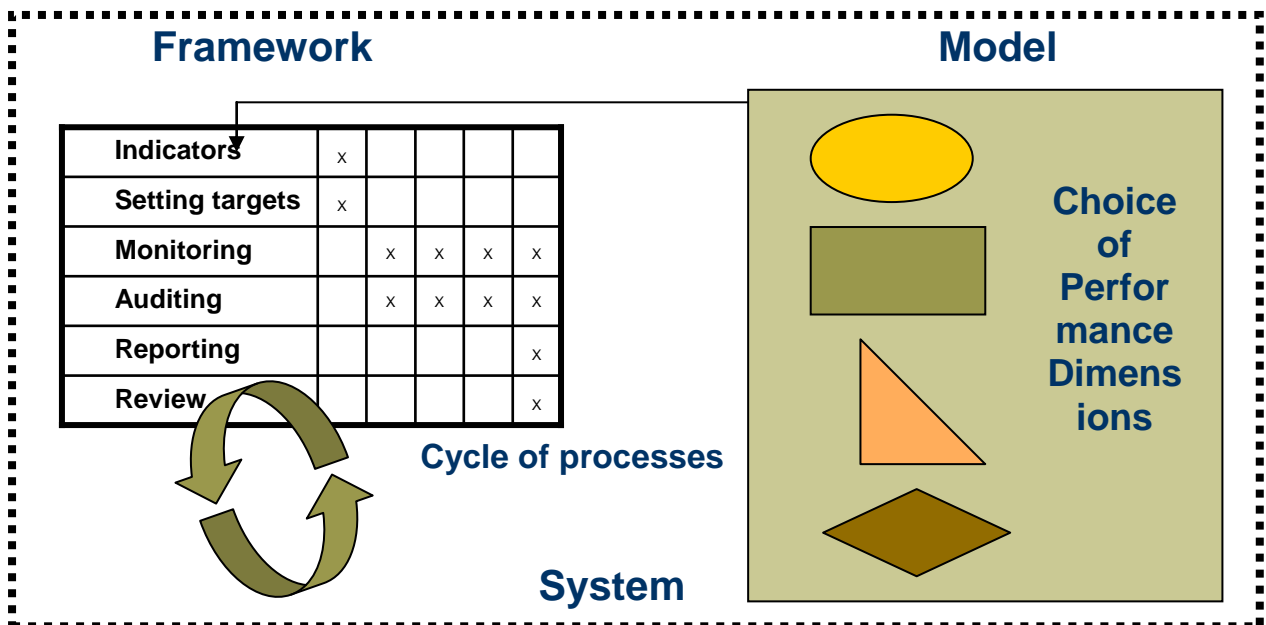


Figure 2: The Performance Management System (PMS)





## 4.5 The PMS Procedure Manual

The department of Strategic Management would develop a Performance Management System Procedure Manual and a training manual to be used in the implementation of the EMLM' Performance Management Framework and Policy.

## 4.6 Principles of the EMLM' PMS

The EMLM's Performance Management System and Procedure Document are informed by the following principles:

### 4.6.1 Ownership and Support

The PMS should be owned by the municipality and supported by other spheres of government.

### 4.6.2 Participatory

The system must place the EMLM community at the centre of local government processes

All stake holders including the community must buy in and participate in development and implementation of the system.

### 4.6.3 Linkage and Integration



The performance management system, IDP and the budget must be seamlessly integrated. The PMS, IDP and the budget complement each other, therefore PMS processes should occur within the IDP and budget routine.

#### 4.6.4 Compatibility

The PMS must be developed and implemented within available capacity and resources. It must be user-friendly enabling the municipality to manage it within its existing institutional and financial resources.

#### 4.6.5 Alignment

The system must align to other municipal activities and allow for joint responsibility and accountability.

#### 4.6.6 Fair and objective

Performance management will be founded on fairness and objectivity in the recognition of poor or good performance. It will not be used to victimize or give an unfair advantage to an individual or group of people.

#### 4.6.7 Decision making

The PMS must facilitate for effective and speedily decision-making that creates episodes of sustained service delivery.

#### 4.6.8 Politically Driven

Centrally to effective PMS is the creation of accountability and embodiment of consultative culture of political leadership.



#### 4.7 Critical success factors of the EMLM' PMS

The success of the PMS is dependent on the following critical success factors:

- The Executive Mayor and Members of his Mayor Committee would drive the implementation of performance management in the EMLM;
- Each municipal department and business units are required to develop strategic plans, business plans and SDBIP's (derived from the long-term plan and the 5-yaera IDP) on approved formats;
- Every employee in the District municipality must have a performance instrument (a scorecard or commitment plan) and be assessed on an annual basis;
- Each and supervisor shall conduct regular monitoring and coaching sessions with all employees under his/her supervision;
- The voices of communities would form an integrated part in the development of performance objectives and priorities;
- A successful PMS is based on mutual respect and tolerance on the part of both the employee and supervisors;
- Feedback should be based on the 360 degree principle, except in cases where it is practically impossible to achieve;
- Continuous improvement in the abilities and competencies of municipal employees forms the basis of improving the performance of the organisation; and
- Every employee shall be given an opportunity to raise disagreements on either measures that have been set or the results of the final review. The disagreements shall be dealt within approved municipal procedures.

#### 4.8 Areas of responsibility in the EMLM

In line with the Municipal Systems Act 2000, the Municipal Systems Act, 2000 [s. 57(2)], Chapter 6, the Municipal Planning and Performance Management Regulations, 2001 and the Municipal Performance Regulations for Section 57 Employees, 2006 has determined the following areas of responsibility for the development, planning, implementation, monitoring, review and reporting on the PMS:

- The Executive Mayor of the EMLM has the responsibility to establish a performance management system for the municipality that is commensurate with its resources; best suited to its



circumstances; and in line with the priorities, objectives, indicators and targets contained in its integrated development plan. The PMS should also promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and administer its affairs in an economical, effective, efficient and accountable manner. The PM Framework and Policy should link individual performance with organisation goals.

- The Members of Mayoral Committee, in consultation with their departments, are required to implement the PMS, within their Departments, in line with the EMLM new governance model and system of delegation.
- The Municipal Manager, the Chief Operations Officer (COO), in conjunction with the Heads of Departments (Directors), are responsible for the operationalisation of the PMS across all departments for all employees, and ensuring that the principles, structures and processes of the PMS are communicated to all employees.
- The COO in the office of the Municipal Manager, supported by Strategic Management, holds transversal responsibility for ensuring that all departments comply with the requirements and implement the PMS as approved by Council.
- The Department of Local Government and Housing in the Limpopo Province in its monitoring capacity, is charged with overseeing the implementation of the PMS within the EMLM.
- Immediate supervisors are responsible for contracting over performance and review of the performance of their subordinates.

## 5 ORGANISATIONAL PERFORMANCE MANAGEMENT LINKED TO INDIVIDUAL PERFORMANCE MANAGEMENT

The Municipal Systems Act requires the municipality to establish a PMS that is commensurate with its resources; best suited to its circumstances and in line with the IDP. It is required to create a culture of performance throughout the municipality.

The PMS should obtain the following core elements:

- Setting of appropriate performance indicators;
- Setting of measurable performance targets;
- Agree on performance measurement;
- Performance monitoring, reviewing and evaluation;
- Continuous performance improvement;
- Regular performance reporting; and



- Intervention where required.

In order to ensure that the municipality meets its organisational performance indicators, it must introduce a PMS that measures performance on organisational and individual level. Individuals are given performance objectives and targets that are linked to his/her team, department and the municipality. Once the municipal objectives and targets have been set it is possible to cascade these down to departments, teams and employees.

## 5.1 Principles Governing Performance Management

The process of developing a performance management system for the Municipality was guided by a detailed process plan whereby the following principles informed the municipality's performance management system:

### 5.1.1 Alignment to Integrated Development Planning (IDP)

The Municipal Systems Act (2000) requires municipalities to establish a performance management system that is in line with the priorities, objectives, indicators and targets contained in their IDP's.

### 5.1.2 Politically driven

The Municipal Systems Act (2000) clearly tasks the Executive Mayor as the owner of the performance management system. The Executive Mayor will need to drive both the implementation and improvement of the system, and may delegate responsibilities in this regard.

The system is developed to be acceptable to political role players on all levels and flexible enough to be accepted by the municipal council and to enjoy the buy-in across political differences. The process will involve both councillors and officials, but the day- to-day management of the process will be done administratively with regular progress reporting to the political level.

### 5.1.3 Incremental implementation

It is important to note that while a holistic performance management system is proposed, the municipality can adopt a phased approach to implementation, dependent on the capacity and resources of the municipality. It is also important to



note that municipal performance management is a new concept without definitive solutions. The performance management system will need to be constantly improved based on its workability.

#### 5.1.4 Simplicity

The system is developed to operate accurately and effectively, but still in a simple and user-friendly manner which will enable the municipality to develop, implement, manage and review the system without placing an unnecessary great burden on the existing capacity of the municipality.

#### 5.1.5 Implementable

Considering the resource framework of the municipality, the PMS should be implementable within the resources of the municipality, which will include time, institutional, financial, and technical resources.

#### 5.1.6 Transparency and accountability

The development and implementation of a PMS should be inclusive, transparent and open. The general public should, through the system be made aware of how the operations of the municipality are being administered, how public resources are being spent and who is responsible for what. Similarly, all information on the performance of departments should be available to other managers, employees, the public and specific interest groups.

The implementation framework, captured as part of this policy, will outline the implementation of this principle.

#### 5.1.7 Efficient and sustainable

The PMS should, like other services within the municipality, be cost effective and should be professionally developed, managed and operated in a sustainable manner. The constituency of the municipality should be granted their legal rights, in terms of the Constitution and the MSA, through encouragement of public participation by the municipality during the development and implementation of a PMS. The implementation framework indicates the time, kind of involvement and responsibilities in terms of public participation.

#### 5.1.8 Integration

The PMS should be developed and implemented in such a manner that it will be integrated within the integrated development process of the municipality and its individual employee performance management. It should be seen as a central tool for ongoing management functions.

#### 5.1.9 Objectivity



The PM-System must be developed on a sound value system where the management of the system and the information is based upon being objective and credible. The adopted performance assessments ensure objectivity and credibility in the management of performance.

#### 5.1.10 Reliability

The PMS should provide reliable information on the progress made by the municipality in achieving the objectives as set out in its IDP. The system provides for the use of source documents to verify the information put into the system.

## 6 Development of a Performance Management System

The process of developing a performance management system for the EMLM municipality is in three phases, namely:

**Phase One** – Starting the Process

**Phase Two** – Developing the System

**Phase Three** – Implementing the System

### 6.1 Phase One: Starting the Process

#### 6.1.1 Delegation of Responsibilities

The Municipal Systems Act (2000) gives responsibility to the executive mayor or executive committee or a committee of councilors appointed by Council (e.g. the Executive Committee) for managing the development of PMS for the municipality, assigning responsibilities to the municipal manager in that regard and submitting the proposed system to Council for adoption. The Council, within its policy framework on delegation, has assigned responsibilities accordingly.

#### 6.1.2 Setting up Institutional Arrangements

The municipal manager may appoint a project team led by a senior manager delegated by the municipal manager. This team should ideally be the same team responsible for the integrated development process. The team should report to the municipal manager who in turn is accountable to the Executive Mayor / Executive Committee and finally to Council.

The team may be responsible for preparing the municipality, facilitating the development process and supporting the municipality during implementation.

#### 6.1.3 Managing the Change Process

The project team, supported by councilors and officials, should prepare the municipality for change. It is critical for all internal stakeholders to be aware of, understand, and be in support of the objectives, principles and requirements of the



municipality's performance management system. The team needs to ensure that the system is approached in an inclusive, participatory and transparent manner, and that it is simple, realistic, fair, objective, developmental and non-punitive. Workshops addressing these issues could be held prior to and during the development phase of the process.

## 6.2 Phase Two: Developing the System

Processes for developing the system will be managed by the project team and will be within the framework of the legislation. The following processes are proposed:

- a. Assessing the current reality
- b. Identification of stakeholders
- c. Setting up of structures for stakeholder participation
- d. Adopting a Performance Management System model
- e. Adoption and publication of the Performance Management System

Each of the processes is discussed below.

### 6.2.1 Assessing the Current Reality

The project team has examined the municipality's current planning, implementation and monitoring approaches. They have also identified gaps relative to the new integrated planning and performance management requirements. The information is captured in the Review Report of the Performance Management project.

### 6.2.2 Identification of Stakeholders

Using the common stakeholder categories listed below as a starting point, the municipality should identify stakeholders for its performance management system in specific terms. Each stakeholder will then play a particular role in the development and implementation of the performance management system as suggested below. Some of the engagement has taken place during the IDP review process.

## 6.3 Phase Three: Implementation of the Performance Management System

Subsequent to the adoption of the performance management system, the municipality will develop an implementation strategy. The strategy will be linked to the municipality's IDP implementation framework and should include performance management planning, implementation, monitoring and review.

### 6.3.1 Planning for Performance

The planning undertaken in the Integrated Development Planning process fulfils the planning stage of performance management. Performance management then translates into the management, monitoring and evaluation of the IDP





implementation process. The planning stage entails the setting of priorities and objectives as follows:

#### 6.3.1.1 Setting priorities

Priorities are essentially the issues that the municipality pronounces to focus on in the order of importance so as to address the development needs and challenges identified in the municipal area. The priorities may be clustered into the following key performance areas, which represent the broad developmental mandate of local government:

- Infrastructure and services
- Social and economic development
- Institutional transformation
- Democracy and governance
- Financial management
- Spatial Rationale

Some of the priorities may not fit neatly into the key performance areas indicated above. The municipality needs to ensure that these are also included.

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- Institutional transformation
- Democracy and governance
- Financial management
- Spatial Rationale

Some of the priorities may not fit neatly into the key performance areas indicated above. The municipality needs to ensure that these are also included.

#### 6.4.1.2 Setting objectives

The priorities set above, as well as other components of the IDP, including strategies, will be captured as a set of clear and tangible objectives. Concise, unambiguous statements of objectives need to be constructed. The objectives need to be measurable and have clear time frames attached to them. The intention of each objective must be clear and the results desired must be carefully considered. The objectives must be outcome and impact focused and the nature and scope of the change desired must be clear. Well-constructed objectives will facilitate the choice of the most appropriate indicators, which is the next step in the process.

#### 6.4.2 Setting Key Performance Indicators (KPI's)

Indicators are a critical dimension in performance management in that they are the measurements that tell whether performance goals and objectives are being met or not.

They can be used to translate complex performance concepts into simple, operational, measurable variables and to create a common framework for gathering, measuring and reporting performance data. Annexure A enlists some types of indicators that the municipality needs to understand.

#### 6.4.3 Identifying Indicators

The Municipal Systems Act requires local government to measure performance on outputs and outcomes, and the Municipal Performance Management Regulations (2001) require municipalities to set KPI's relating to inputs, outputs and outcomes. It is however also useful to measure processes. The activities and processes identified in the IDP to achieve objectives therefore need to be looked at as well as the resources earmarked to achieve the objectives.

Since the setting of KPI's may be a sensitive process, the EMLM political leadership and the public was centrally involved. Also, to ensure greater legitimacy and credibility, some 'home-grown' indicators suggested by citizens and communities that are directly relevant to the development plans and challenges of the municipal area have been included in the IDP. EMLM will unpack the IDP KPI's and ensure that they are set for all administrative units and employees in the municipality and every municipality entity and service provider with whom the municipality has entered into a service delivery agreement. The incorporation of national government's General Key Performance Indicators must be ensured. The municipality should however start on a small scale using output / quantity indicators before moving on to more complex indicators as the capacity of the municipality and the public develops.



## 6.4.4 Criteria for Good Key Performance Indicators

KPI's should have the following characteristics:

### 6.4.4.1 Measurability:

- Should be easy to calculate from data that can be speedily, easily and at reasonable cost, within the municipality's financial and administrative capacity

### 6.4.4.2 Relevance:

- Should measure only those dimensions that enable the municipality to measure progress on its objectives

### 6.4.4.3 Objectivity:

- Should state clearly what is to be measured, without ambiguity

### 6.4.4.4 Precision and validity:

- Should measure only those dimensions that the municipality intends to measure

### 6.4.4.5 Adequacy

- Should measure quality, quantity, efficiency, effectiveness and impact separately for each priority and objective

### 6.4.4.6 Simplicity:

- Should measure one dimension of performance (quality, quantity, efficiency, effectiveness, impact) at one given time; should separate the dimensions and set separate indicators for each; should be easy to understand and easy to use Furthermore, indicators should enable consistent collection of performance data, be comparable and sufficiently accurate to allow comparisons in the performance of the municipality over time; be verifiable by senior managers and auditors; be statistically valid; be cost effective in terms of data collection; and be attributable.

It is also important to ensure that there is data available in the municipal area, or that the municipality has the capacity to collect the data for the measurement of indicators. The municipality must co-operate with institutions and other sources of data in sharing useful information.

## 6.5 Setting Performance Targets

The Municipal Performance Management Regulations (2001) require municipalities to set performance targets for each KPI identified, for each financial year.

Performance targets may be defined as the goals / milestones / planned levels of performance that the municipality sets for each indicator identified. They are typically expressed in terms of quantity or time.

The regulations require performance targets to:

- be practical and realistic;



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

In setting performance targets, the EMLM will first identify baseline measurements per indicator, i.e. the measurement of the indicator as at the 2009/10 financial year. Targets will then be identified for each indicator – projecting to the next financial year (2010/11).

Participants in this process should include:

- the public – need to be consulted on their needs and expectations
- politicians – need to give clear direction as to the importance of the target and how it will address the public need
- line managers – need to advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity, seasonal changes and other externalities that need to be considered.

While targets should be realistic, they also need to be developmental and challenge the municipality to do things significantly better.

Once targets are set, decision-makers should make a contractual commitment to the achievement of the targets within agreed timeframes and notify the relevant stakeholders.

## 6.6 Monitoring Performance

Performance monitoring is an on-going process that runs parallel to the implementation of the IDP and therefore the development of a performance management system as described in this framework. A performance-monitoring framework needs to be developed to facilitate the identification of role players in performance monitoring and measurement and the allocation of specific tasks in the gathering of data and the submission of reports.

The following monitoring framework is suggested:

In undertaking performance monitoring processes, the following need to be determined and provided for:

- The data that must be collected in order to assess performance
- The methods that must be employed in the collection, storage, verification and analysis of that data
- The processes and formats that must be used in compiling reports on that data
- The approaches that need to be adopted to enable early detection of poor performance



- Corrective measures that will be employed when poor performance has been detected
- Mechanisms to compare current performance with baseline indicators and performance during the previous financial year
- Monitoring reports should be submitted to Council at least twice a year.

## 6.7 Setting objectives

The priorities set above, as well as other components of the IDP, including strategies, will be captured as a set of clear and tangible objectives. Concise, unambiguous statements of objectives need to be constructed. The objectives need to be measurable and have clear time frames attached to them. The intention of each objective must be clear and the results desired must be carefully considered. The objectives must be outcome and impact focused and the nature and scope of the change desired must be clear. Well-constructed objectives will facilitate the choice of the most appropriate indicators, which is the next step in the process.

## 6.8 Setting Key Performance Indicators (KPI's)

Indicators are a critical dimension in performance management in that they are the measurements that tell whether performance goals and objectives are being met or not.

They can be used to translate complex performance concepts into simple, operational, measurable variables and to create a common framework for gathering, measuring and reporting performance data. Annexure A enlists some types of indicators that the municipality needs to understand.

### 6.8.1 Identifying Indicators

The Municipal Systems Act requires local government to measure performance on outputs and outcomes, and the Municipal Performance Management Regulations (2001) require municipalities to set KPI's relating to inputs, outputs and outcomes. It is however also useful to measure processes. The activities and processes identified in the IDP to achieve objectives therefore need to be looked at as well as the resources earmarked to achieve the objectives.

Since the setting of KPI's may be a sensitive process, the EMLM political leadership and the public was centrally involved. Also, to ensure greater legitimacy and credibility, some 'home-grown' indicators suggested by citizens and communities that are directly relevant to the development plans and challenges of the municipal area have been included in the IDP. EMLM will unpack the IDP KPI's and ensure that they are set for all administrative units and employees in the municipality and every municipality entity and service provider with whom the municipality has entered into a service delivery agreement. The incorporation of national government's General Key Performance Indicators must be ensured. The municipality should however start on a small scale using output / quantity indicators before moving on to more complex indicators as the capacity of the municipality and the public develops.



## 6.9 Criteria for Good Key Performance Indicators

KPI's should have the following characteristics:

### 6.9.1 Measurability:

- should be easy to calculate from data that can be speedily, easily and at reasonable cost, within the municipality's financial and administrative capacity

### 6.9.2 Relevance:

- should measure only those dimensions that enable the municipality to measure progress on its objectives

### 6.9.3 Objectivity:

- should state clearly what is to be measured, without ambiguity

### 6.9.4 Precision and validity:

- should measure only those dimensions that the municipality intends to measure

### 6.9.5 Adequacy:

- should measure quality, quantity, efficiency, effectiveness and impact separately for each priority and objective

### 6.9.6 Simplicity:

- should measure one dimension of performance (quality, quantity, efficiency, effectiveness, impact) at one given time; should separate the dimensions and set separate indicators for each; should be easy to understand and easy to use

Furthermore, indicators should enable consistent collection of performance data, be comparable and sufficiently accurate to allow comparisons in the performance of the municipality over time; be verifiable by senior managers and auditors; be statistically valid; be cost effective in terms of data collection; and be attributable.

It is also important to ensure that there is data available in the municipal area, or that the municipality has the capacity to collect the data for the measurement of indicators. The municipality must co-operate with institutions and other sources of data in sharing useful information.

## 6.10 Setting Performance Targets

The Municipal Performance Management Regulations (2001) require municipalities to set performance targets for each KPI identified, for each financial year.

Performance targets may be defined as the goals / milestones / planned levels of performance that the municipality sets for each indicator identified. They are typically expressed in terms of quantity or time.

The regulations require performance targets to:

- be practical and realistic;



- measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
- be commensurate with available resources;
- be commensurate with the municipality's capacity;
- be consistent with the municipality's development priorities, objectives and strategies set out in its integrated development plan; and
- take into account applicable minimum national standards, but in the case of the rendering of a municipal service, may not be below applicable national standards.
- In setting performance targets, the EMLM municipality will first identify baseline measurements per indicator, i.e. the measurement of the indicator as at the 2009/10 financial year. Targets will then be identified for each indicator – projecting to the next financial year (2010/11).

Participants in this process should include:

- the public – need to be consulted on their needs and expectations
- politicians – need to give clear direction as to the importance of the target and how it will address the public need
- line managers – need to advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity, seasonal changes and other externalities that need to be considered.

While targets should be realistic, they also need to be developmental and challenge the municipality to do things significantly better.

Once targets are set, decision-makers should make a contractual commitment to the achievement of the targets within agreed timeframes and notify the relevant stakeholders.

### 6.11 Monitoring Performance

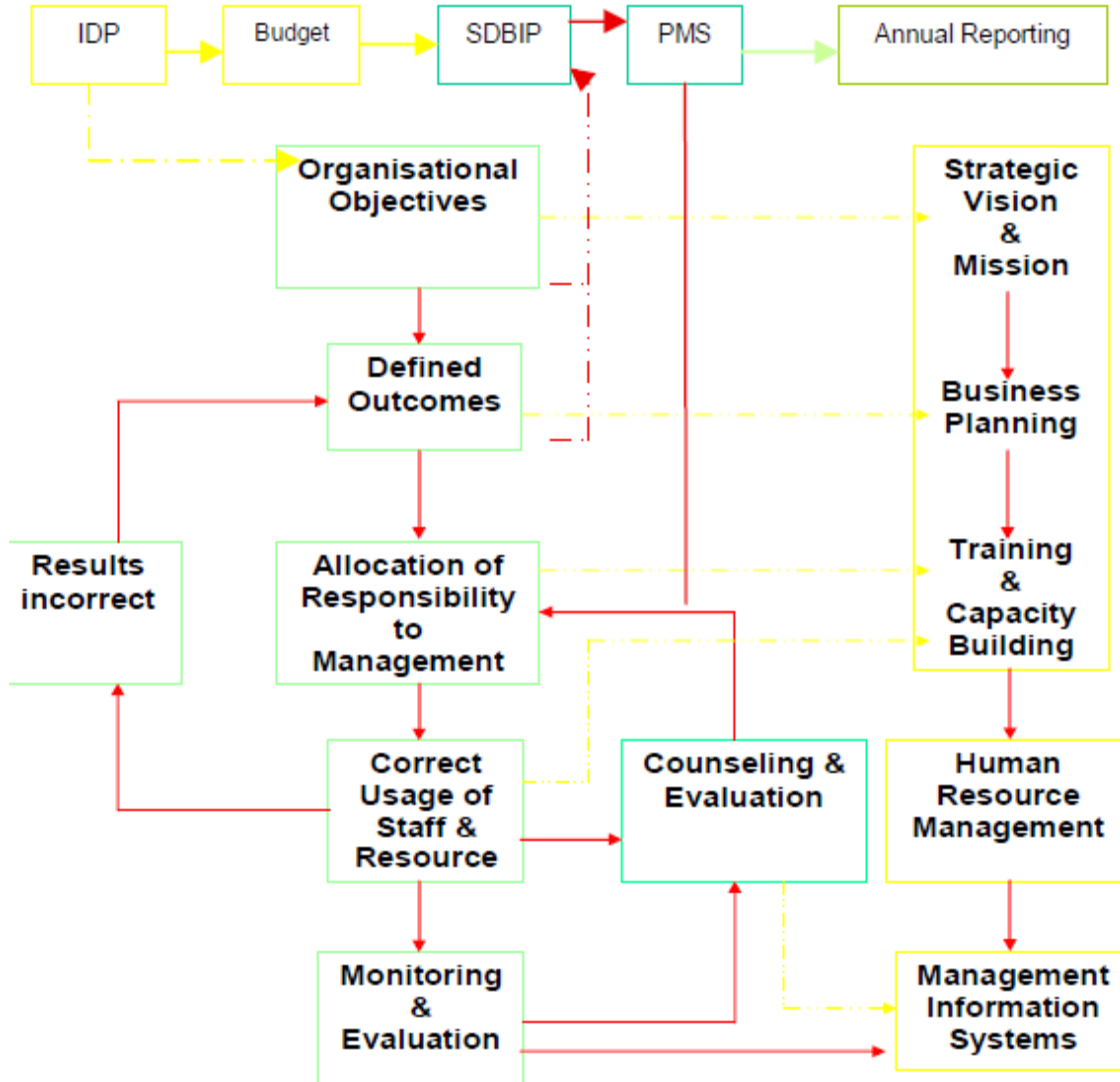
Performance monitoring is an on-going process that runs parallel to the implementation of the IDP and therefore the development of a performance management system as described in this framework. A performance-monitoring framework needs to be developed to facilitate the identification of role players in performance monitoring and measurement and the allocation of specific tasks in the gathering of data and the submission of reports.

### 6.12 PERFORMANCE MANAGEMENT CYCLE

The municipality needs to adopt a performance management and reporting cycle which include timeframes to complete the process. The cycle should start with the



strategy session of Council and include the IDP and budget processes. The IDP and budget should be converted to a Service Delivery Budget Implementation Plan (SDBIP) as corporate performance management tool and cascaded down to the PMS of the municipality. The interaction of the performance management and reporting framework and other business processes is summarized in the diagram below.



### 6.13 CORPORATE PERFORMANCE

The IDP process and the performance management process must be seamlessly integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

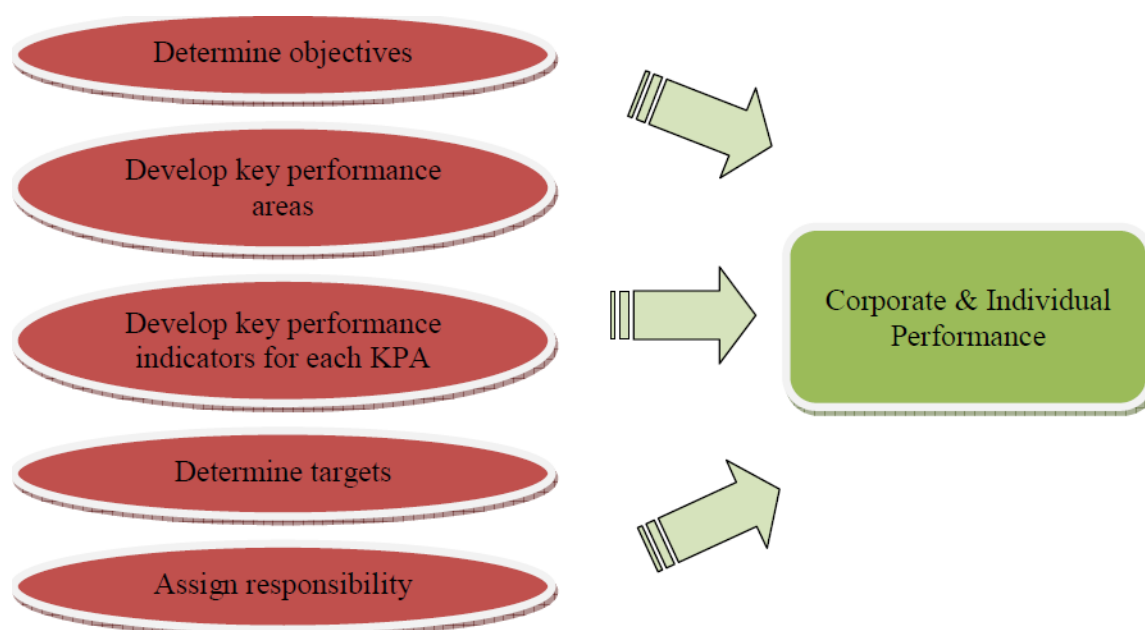
Corporate performance is the first step to seamlessly integrate the IDP and performance management. Corporate performance is measured through the SDBIP.





The SDBIP is a plan where the IDP and budget is converted into measurable criteria on how, where and when the strategies, objectives and normal business processes of the municipality will be implemented. It also allocates responsibility to departments to deliver the services in the IDP and budget. The SDBIP needs to be approved by Council within 28 days after the budget has been approved.

The responsibilities of individuals are assigned as per paragraph below. The process in determining the performance measures can be summarized as follows:

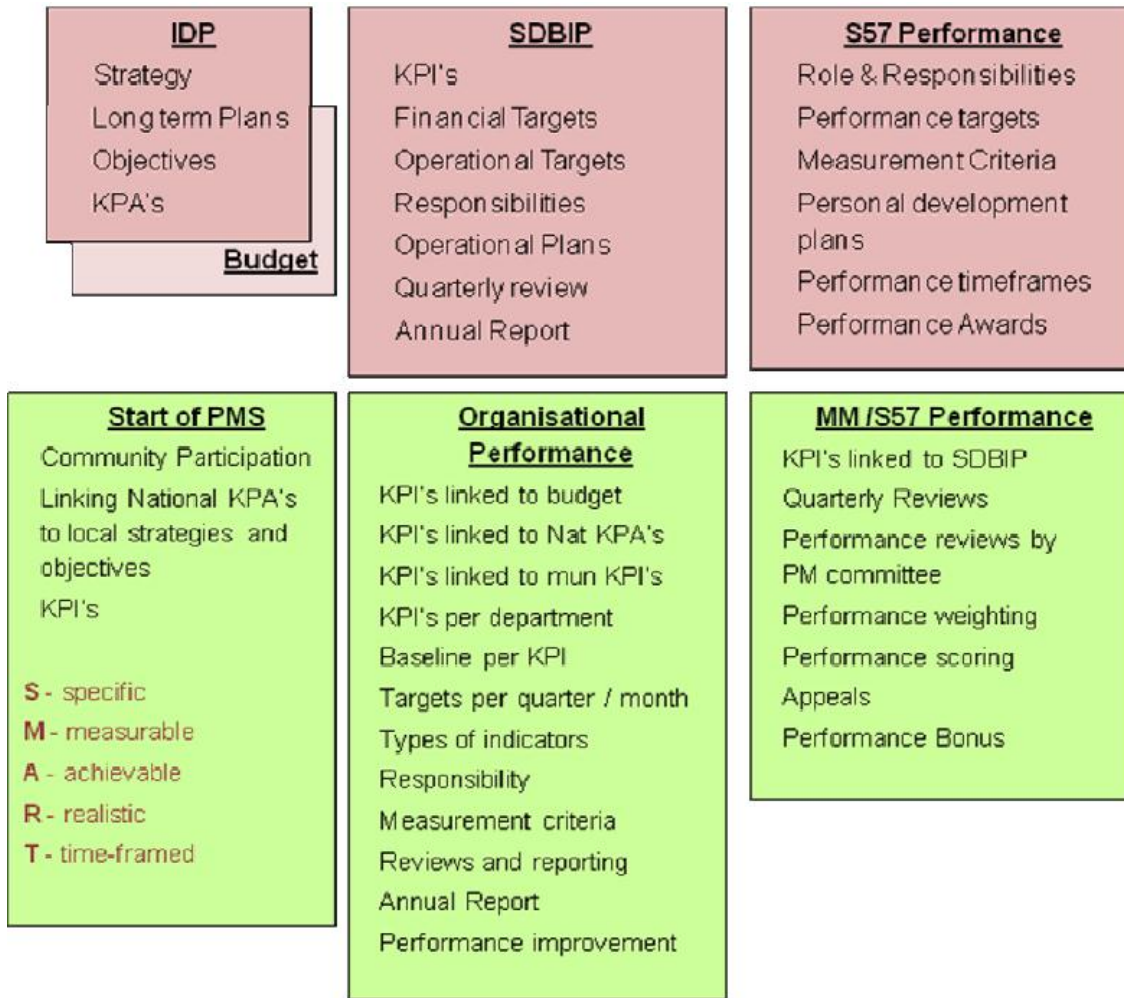


Performance against the SDBIP needs to be reviewed on at least a quarterly basis and the performance against the set criteria needs to be entered on the SDBIP. The leadership team should use the web-based SDBIP system to manage corporate performance and as an early warning system to identify areas of poor / slow performance and take performance improvement actions. It will be tabled quarterly at Council meetings.

The following diagram illustrates the integration of performance management and sets the scene for managing performance on individual level:

- Town Management Model

The performance management system implemented must consider the implementation of the town management model where the corporate departments will focus on strategy, development and review while the town's will be the implementers and be responsible for maintenance. This model is being piloted and will be addresses in more detail once the final model has been implemented.



## 6.14 INDIVIDUAL PERFORMANCE

Once the SDBIP has been approved, the portfolios of the council, departments and S57 appointees need to be confirmed.

### 6.14.1 SECTION 57 MANAGERS:

The Local Government Municipal Systems Act 2000 requires the Municipal Manager and the Managers reporting directly to the Municipal Manager to enter into annual Performance Agreements. The employment contract of the Municipal Manager and other Section 57 Managers should be directly linked to their Performance Agreements. These Performance Agreements therefore consist of two distinct parts:

- Performance Agreement: This is an agreement between the Section 57 Manager and the Municipality, which regulates the performance required for a particular position and the consequences of the performance. The Agreement deals with only one aspect of the employment relationship, namely performance. This agreement is



normally for a period of Performance Management Framework 5-years but must be reviewed and renewed annually, subject to the individual's annual performance.

- Performance Plan: The Performance Plan is an Annexure to the Performance Agreement and stipulates in detail the performance requirements for a single financial year. The Departmental Business Plan or scorecard (sorted per Department) transcends into the Performance Plan/s of the respective Section 57 Managers according to their areas of responsibility
- Personal Development Plan: The employer and employee must identify developmental areas (especially after the first evaluation) for the employee and a plan should be developed to address the developmental areas. The PDP should be attached to the performance contract and evaluated on an ongoing basis.

#### 6.14.2 OTHER EMPLOYEES:

The implementation of performance management to lower levels of staff will be considered at a later stage.

#### 6.14.3 WEIGHTINGS / RATINGS

Weightings show the relative importance of input or output against another input or output. Every input or output in the performance agreement must be assigned to a weighting. The weightings / ratings and the distribution of the ratings per level need to be determined by leadership in the beginning of each financial year and agreed with the employees.

#### 6.14.4 REPORTING

Reports need to be prepared for management to act timorously and tabled as required by the respective legislation and this policy framework. The municipal manager should delegate the responsibility of preparing reports on SDBIP progress and employee performance to one or a group of employees.

#### 6.14.5 PERFORMANCE IMPROVEMENT

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 Council for discussion and approval.

While good and excellent performance must also be constantly improved to meet the needs of communities 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 casual and contributory reasons for poor performance are analysed. Poor performance may arise out of one or more of the following:

- Poor systems and processes
- Inappropriate organisational structure



- Lack of skills and capacity
- Absence of appropriate strategy
- Inappropriate organisational culture
- It is suggested that the municipality consider a customer care system after performance Management has been implemented, not only to improve service delivery but to obtain and Capture feedback on municipal performance from our customers.

The table below provides a clear timeframe for the key milestones for performance management:

PHASE	ORGANISATIONAL ACTIVITY	INDIVIDUAL ACTIVITY	TIMEFRAME
<b>STRATEGY</b>	Approve IDP and Budget		June
<b>PLANNING</b>	Development of Service Delivery Implementation Plan (SDBIP)		July
	Confirm Portfolio's of Council and Departments	Confirm Portfolio's of Managers	July
	Finalisation of Performance Agreement	Performance Agreements of Section 57 Managers	July
<b>MONITOR, MEASURE &amp; REVIEW</b>	Monthly Monitoring SDBIP and SDP		Monthly
	Quarterly Review's SDBIP and SDP	Bi-annual or Quarterly Reviews	September December March
	Performance Measurements	Annual Performance Appraisal	Dec - March (After Receipt of AG Report)
	Reward and Recognition		Dec - March (After Receipt of AG Report)
<b>REPORTING</b>	Quarterly Reports	Quarterly Assessment Reports	September March
	Mid-year Assessment to Council	Mid-year Assessment Reports	Jan
	Annual Report	Annual Performance Report	Dec - March (After Receipt of AG Report)

<b>PERFORMANCE IMPROVEMENT</b>	Performance Improvement Plans	January July
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## 6.15 Elements of and adaptations to the system

The EMLM' PMS is largely derived from the Balanced Scorecard model and incorporates elements of the 5-Year Local Government Strategic Agenda (5YLGSA). It further draws on experiences of other South African municipalities who have made noticeable headways in the implementation of PMS. Of these adaptations and simplifications, the following are of note:

### 6.15.1 Balanced Scorecard

EMLM has adopted the balanced scorecard as the foundation against which performance of the organisation and its employees is to be managed and monitored. The balanced scorecard is a management tool that enables organisations to clarify their vision and strategy and translate them into actions, oriented around four elements: financial, customer, internal business processes, and learning and growth. Through a balanced focus, the opportunity is created for feedback around both the internal business processes and external outcomes, in order to continuously improve strategic performance and results.

The balanced scorecard is an analytical tool that supplements traditional financial measures with criteria that measure performance from the perspective of service delivery, organisational processes, and learning and innovation. It therefore enables organisations to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they need for future growth

**The balanced scorecard is a performance management system used to translate strategy into tangible objectives and measures.**



The balanced scorecard provides an inter-connected model for measuring performance and revolves around four distinct perspectives - financial, customer, internal processes, and innovation and learning. Each of these perspectives is stated in terms of the company's objectives, performance measures, targets, and initiatives, and all are harnessed to implement corporate vision and strategy.

#### 6.15.2 The balanced scorecard approach:

- Links performance management to the vision, mission, strategy, goals and processes of the organisation;
- Makes progress against the organisational strategy measurable, by translating the business plan into a set of clear measures and targets;
- Draws individuals into the overall vision of the organisation;
- Transcends pure financial measures by looking at what is needed for long-term organisational sustainability;
- Provides a fair, data based, systematic mechanism for setting performance targets and rewarding achievement;
- Provides a practical framework through which an organisation can review and meet its requirements in terms of managing and reporting on performance;
- Enables the communication of strategy in a consistent way with all stakeholders;
- Has a track record of enabling organisational achievement and excellence;
- Aligns key performance measures with strategy at all levels of the organisation;
- Enables compliance with the principles and intent of current legislation (e.g. the Municipal Finance Management Act , the Preferential Procurement Act, and the Employment Equity Act); and
- Ensures a comprehensive and balanced measurement system, in respect of four perspectives: Finance, Customers, Internal Business Processes, and Learning and Growth:



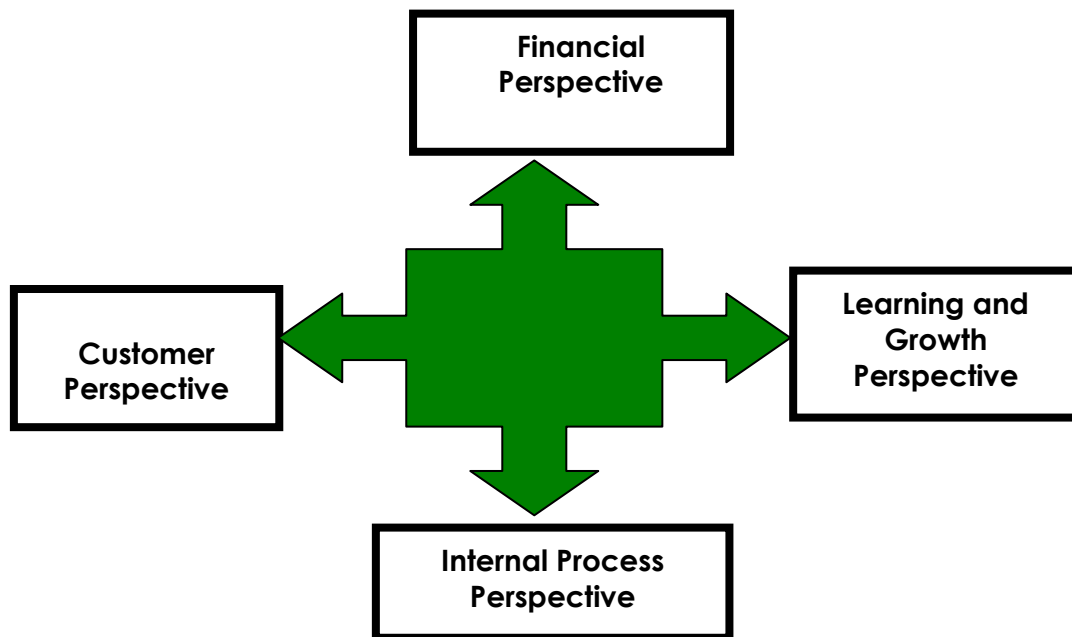


Figure 3: The Balanced Scorecard

### 6.16 The EMLM customised balanced scorecard

The EMLM has customised its balanced scorecard model to incorporate the elements of the 5YLGSA. The strategy is aimed at improving the performance of South Africa's municipalities. The 5YLGSA is centred on three key priorities:

Mainstreaming hands-on support to local government to improve municipal governance, performance and accountability;

Addressing the structure and governance arrangements of the State in order to better strengthen, support and monitor Local Government; and

Refining and strengthening the policy, regulatory and fiscal environment for Local Government and giving greater attention to enforcement measures.

The EMLM balanced scorecard will reflect perspectives derived from the several key performance areas (KPA's) outlined in the 5YLGSA.

These included:

- Basic service delivery
- Local economic development
- Municipal transformation and organisational development
- Municipal financial viability and management
- Good governance and public participation
- Spatial Rationale

The EMLM will develop performance scorecards at three levels:

- Municipal;
- Departmental, (Division and Unit) ; and
- Individual levels.

The municipal scorecard automatically translates into the performance plan or scorecard of the municipal manager and shall be attached as annexure A to his/her performance agreement. Similarly the departmental cascaded in its entirety into the performance plan of the Head of the Department (Director). The same process will be undertaken for other positions of responsibility in the municipal organisation.

### Performance management and planning

South African municipalities are required by national legislation (MSA and MFMA) to develop a number of plans aimed at supporting the realisation of their constitutional mandate and political priorities. This requirement derives mainly from chapter 5 of the MSA. This chapter requires municipalities to develop integrated development plan that reflect adequate and meaningful community participation. The required plans range from the development of workplace skills plans, to integrated transport and infrastructure plans SDBIP and budgeting projections. In addition to the current legislated requirement to guide planning in municipal organisations.

The recently created Ministers of national Planning Commission and Performance Monitoring and Evaluation and Administration in the





Presidency are advocating for the creation of a planning commission to coordinate planning across all spheres of government and development of an outcome oriented performance management system built on agreed set of 25-30 outcomes.

These planning requirements may put municipalities and their departments under pressure, and this could result in the duplication of initiatives and effort. In order to assist departments to overcome the difficulties created by these requirements, the EMLM is advocating for an integrated approach to planning.

The EMLM' PMS will ensure elimination of duplication through the development of a single consolidated business plan and SDBIP at both the municipal and departmental level. The envisaged consolidated business plan and SDBIP will reflect the planning requirements of all sector departments and other stakeholders. Each municipal department is expected to consolidate all their planning requirements into one business plan and SDBIP. The consolidated business plan and SDBIP forms basis of monitoring and evaluation of performance in each department.

The PMS needs to be integrated with other human resource management practices such as training and development and career planning. The linkages to these processes should be reflected in the municipality's human capital management strategy.

The PMS provides a framework to link departmental objectives to the overall strategic goals of the EMLM. It also allows for linking departmental performance to individual performance. The objectives contained in departmental plans and SDBIP's should contribute to the achievement of Council's strategic goals. In turn, individual performance plans should contribute to the achievement of departmental objectives.



## 7 IMPLEMENTATION OF PMS

### 7.1 Planning for PMS

The Steering Committee will facilitate the implementation of the PMS based on the IDP. The IDP fulfils the planning phase and PMS the implementation, management, monitoring and evaluation of the IDP.

### 7.2 Priorities and objectives

The IDP determines development priorities and development objectives and identifies projects which contribute to the achievement of the long-term goals. Objectives of the PMS should be aligned with the priorities and objectives of the IDP.

Objectives should be:

- Tangible, measurable and unambiguous;
- Be results driven and outcome and impact focused;
- Contain the precise wording and intention of each objective;
- Each KPA must relate to an objective/s specified in the IDP.

### 7.3 Key Performance Indicators:

Indicators are units of measurement which indicate whether progress is being made in achieving goals and also:

- Provide a common framework for gathering data for measurement and reporting;
- Translate complex concepts into simple operational measurable variables;
- Enable the review of goals and objectives;
- Assist in policy review processes;
- Help provide feedback to the municipality and staff ; and
- Each indicator must relate to an objective.

Indicators will serve as a communication tool between staff, supervisors, managers, Senior Managers, Municipal Manager and Council and will also identify gaps between IDP strategies and the operational plans of the various departments.

### 7.4 Types of indicators

The following types of indicators will be used:

- **Baseline**
  - which measures conditions before a project or programme is implemented;
- **Input**
  - which measures resources (including financial, human and physical) to produce an output;

- **Output**
  - which measures whether an activity produces the desired product in quantitative terms;
- **Outcome**
  - which measures the quality as well as the impact on the community and;
- **Composite**
  - to provide an index of progress towards achieving progress of a specific objective e.g. Gini coefficient as a measure of distribution of income. In practice this indicator is seldom used.

All indicators should be simple, relevant, precise, measurable and adequate and must be linked to an objective.

### 7.5 Identification of indicators

The following aspects will be considered when identifying indicators:

- Priorities and objectives set in the IDP;
- Objectives to be clustered into KPA's such as service delivery development, institutional transformation, governance and financial issues;
- Projects and processes are broken down into activities and measurable activities can be used to identify indicators and;
- Only measurable indicators from available data can be used.

### 7.6 Setting of KPI's

Key Performance Indicators will be determined in respect of each development priority and objective. These indicators are subject to public participation and will be used by each Department as well as each municipal entity where applicable.

The following is a description of all the elements which appear on the KPI template: Key Performance Area (KPA): This is the area in which the municipality plays a role towards delivering services. These may include Infrastructure and Engineering, Community Planning and Safety, Strategic and Corporate Services, Social and Economic Development, Institutional Transformation, Governance and Financial Management, amongst others.

#### 7.6.1 Objective:

This outlines the aim of the municipality within the key performance area as related to the specific service to be delivered.

Action plans/projects: These are operational plans which are currently in place or being planned to reach the objectives of the various KPA's.

Key Performance Indicators (KPI): These are quantifiable measures which show where performance currently is in relation to the baseline and the target.

This describes the measure in a clear, simple and precise manner.



Target date: This refers to the desired level of service delivery for the current financial year or specified period.

### 7.6.2 Performance levels:

This indicates the level of performance in executing the action plans and achieving the specified outcomes. The performance levels are linked to specified time frames and specific targets. The template makes provision for average, below average and above average levels.

### 7.6.3 Assigning responsibility:

This section indicates which Department is responsible for that specific function. This aspect can be used to link the personal and organizational performance management systems.

### 7.6.4 National KPI's

The following general Key Performance Indicators are prescribed in terms of Section 43 of the Municipal Systems Act (2000):

The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;

- The percentage of households earning less than R1 100 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 IDP;
  - 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 and;
  - The percentage of a municipality's budget actually spent on implementing its workplace skills plan.
- Financial viability is expressed by the following ratios:

$$A = (B - C) / D$$

Where:

“A” represents debt coverage

“B” represents total operating revenue received

“C” represents operating grants

“D” represents debt service payments (interest redemption) due within the financial year;



$$A = (B+C)/D$$

Where:

“A” represents cost coverage

“B” represents all available cash at a particular time

“C” represents investments

“D” represents monthly fixed operating expenditure

### 7.7 Setting targets

Performance targets are the planned level of performance or the milestones for each indicator. Baseline measurements are a measure of the status quo of the indicator at the start of the period and progress is measured from the baseline.

Line managers should be consulted as to what a realistic and achievable target is, given available resources and capacity. There must be clear time lines related to the setting of targets.

### 7.8 Direction setting for co-ordination

The SDBIP is a vital monitoring tool for the mayor and council to monitor in-year performance. It also provides the link between the mayor, council and administration and facilitates the process for holding management accountable for its performance. A properly formulated SDBIP will ensure that appropriate information is circulated internally and externally for the purposes of monitoring the execution of the budget, performance of senior management and the achievement of strategic objectives set by council.

It is crucial that the Municipal Manager has a direction setting session with the full management team. The main purpose is to assess the current situation regarding the Strategic Vision and the latest revised IDP. If this is not done, each directorate of the municipality will run in its own direction, winning their race, but failing to achieve the ultimate strategic objectives of the municipality.

In future the budget process will be a “SMART” process. It will be:

<b>S</b>	<b>Specific</b>	- that is specific activities form part of a specific project that also executes a specific function
<b>M</b>	<b>Measure-able</b>	- with Activity Based Costing
<b>A</b>	<b>Attainable</b>	- with functions coupled with activities and public needs with execution of policies
<b>R</b>	<b>Realistic</b>	regarding the resources needed and the resources available
<b>T</b>	<b>Timeframes</b>	- each action and activity is aligned to a set period in which the set activity should be completed

### 7.9 Setting up of Structures for Stakeholder Participation



Consistent with legislation, structures for stakeholder participation should be created. As far as possible, these structures should be the same as those created for stakeholder participation in IDP processes, or at least be linked to them.

## 7.10 Criteria for a Good Performance Measurement Model

To ensure the above-mentioned balanced, multi-perspective measurement and review of performance, it is essential that a model be adopted for this purpose. While various models are available for undertaking performance measurements, EMLM's model entails the following characteristics:

### 7.10.1 Alignment to the Integrated Development Planning (IDP) Process

The model aligns 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 the model should relate directly to the identified priority areas of the IDP.

### 7.10.2 Balance

The model will ensure balance in how the municipality measures and manages its performance. It should not bias performance measurement by relying on one facet of performance, but represent a multi-perspective holistic assessment of municipal performance.

### 7.10.3 Mapping on Inter-relationships

The model should 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. The inter-relationships help in both the planning stage and the review stage, particularly in the diagnosis of causes of poor performance.

### 7.10.4 Simplicity

The model will 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.

Furthermore, the model should facilitate good measurement in terms of being:

- **Time-specific** : it should be clear when the measurement data was obtained
- **Source-specific** : it should be explicit where the data was obtained
- **Valid** : it should measure precisely what is intended to be measured
- **Reliable** : if the same measurement is repeated under exactly the same conditions, it should yield the same result



- **Clear and Accurate**: it should be unambiguous what the measurement is and the degree of error should be low
- **Transparent** : the manner in which the measurement is conducted should be open and transparent

### 7.10.5 Adoption and Publication of the System

The performance management system was adopted while the municipality was in the process of setting key performance indicators as part of the IDP process. Once the performance management system framework has received input from senior management and labour, there will be a process of gathering input from local municipalities. The project team will then ensure that the comments are incorporated prior to submission of a final draft to Council for adoption.

### 7.10.6 Measuring Performance

Performance measurement is essentially the process of assessing performance by analysing the data coming through the monitoring phase. It requires the municipality to determine what aspects of performance it is going to measure and what tools it is going to use to do so. International experience in both the private and public sectors has shown that traditional approaches to measuring performance, which have been heavily reliant on 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. EMLM municipality will use the Balanced Scorecard as a municipal scorecard. This section will highlight the tools of performance measurement (the scorecards) and critical factors for performance measurement (the objectives, performance indicators and targets) and the data collection and analysis methods.

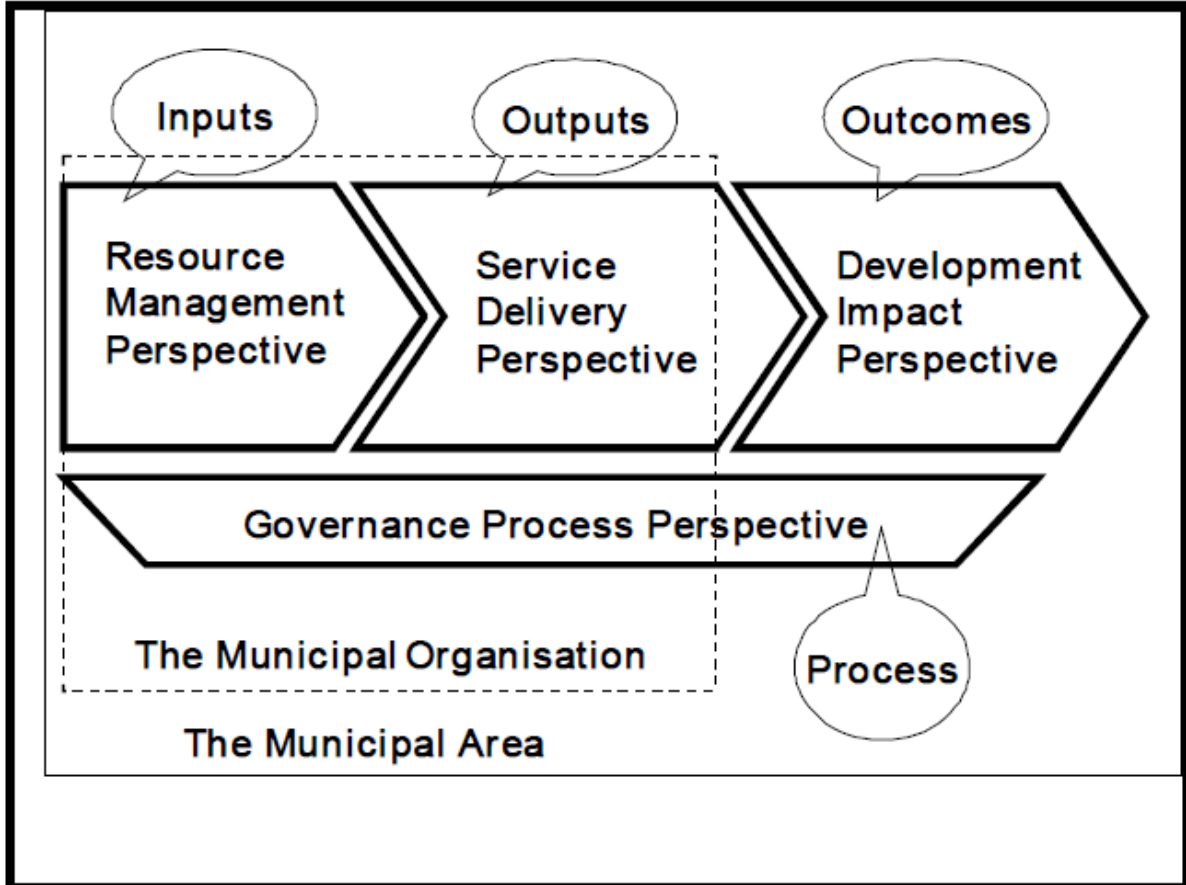
#### 7.10.6.1 The Municipal Scorecard

EMLM municipality will use an integrated model that has been developed and suggested for use in local government performance measurement in South Africa (Figure 2). The model is consistent with the performance management framework outlined in the Municipal Systems Act and the Performance Management Regulations which state that, in measuring performance, municipalities need to look at:

- The economy and efficiency of inputs (resources, financial perspectives) to produce outputs
- The effectiveness of activities / processes to produce outputs (results, service delivery perspectives)
- Outcomes (customer satisfaction, growth, quality of life), i.e the impact of outputs on the overall achievement of objectives.
- The model, referred to as the Municipal Scorecard, is based on four key perspectives, as outlined in the figure below:



Figure 2: A performance measurement and review model for local government



[Source: Performance Management Guidelines for Municipalities, 2001]

#### A. The Resource Management Perspective

This perspective focuses on the performance of the municipality with respect to the management of its resources:

- Financial resources
- Human resources
- Information resources
- Municipal infrastructure

It relates to the inputs of the municipality as a whole.

#### B. The Service Delivery Perspective

This perspective looks at how the municipality is performing with respect to the delivery of services and products. It relates to the output of the municipality as a whole.

#### C. The Development Impact Perspective

In this perspective, the municipality assesses whether the desired development impact in the municipal area is being achieved. The perspective constitutes development priorities and indicators that tell whether development outcomes are being achieved. The development priorities and indicators often lie within the shared accountability of the municipality, other spheres of government and civil society. The



measurement of development outcomes is useful in telling whether the policies and strategies of the municipality are having the desired development impact.

#### D. The Governance Process Perspective

In this perspective, the municipality assesses its performance with respect to its engagement and relationship with its stakeholders in the process of governance.

This perspective includes, amongst others:

- Public participation
- Citizen satisfaction
- Access to information

The perspective relates to governance processes of the municipality as a whole.

### 7.10.6.2 The Service and Spatial Scorecards

The Municipal Scorecard described above provides an overall picture of performance for the municipality as a whole, reflecting performance on strategic priorities. Further scorecards may be designed to measure performance at different levels in the municipality as follows:

#### The Service / Departmental Scorecards

- Capture and provide a comprehensive picture of the performance of each Directorate
- Consist of objectives, indicators and targets derived from the service plan and service strategies
- Simplify all regular reporting from departments to the municipal manager.

Service scorecards should consist of the following components:

- Service Outcomes, detailing developmental outcomes that the Directorate is to impact on
- Service Deliverables, detailing products and services that the Directorate will deliver
- Resource Management, detailing how the Directorate will manage its resources (human, financial, information and infrastructure)
- Stakeholder Relations, detailing how the Directorate will improve the municipality's relationship with its stakeholders.

#### The Spatial Scorecard

- Facilitates greater public participation in the decentralized measurement and review of municipal performance
- Reflects the performance of the municipality in the district management area. Includes objectives, indicators and targets against which local municipalities and the community will be reported to and be given an opportunity to review the performance of the District municipality.

The Spatial Scorecard may be introduced once the strategic and service scorecards have been established.

Proposed formats of the Strategic Municipal Scorecard and Departmental Service Scorecards will be developed by the PMS project team.



### 7.10.6.3 Objectives, Indicators and Targets

The municipality should measure and review its performance in line with the development priorities and objectives, and performance indicators and targets contained in its IDP. To facilitate successful measurement and review:

- **Priorities** should be based on identified needs; be achievable in the current term of office; and contribute significantly to the achievement of the developmental vision of the municipality.
- **Objectives** should be clear, unambiguous, tangible, outcome and impact-focused and measurable.
- **Indicators** should be measurable, relevant, objective and precise, as described in section 5.2 of this framework.
- **Targets** should be realistic, measurable, commensurate to available resources and capacity and be set relative to baseline measurements.

Process factors with regard to the setting of indicators and targets are highlighted in sections 5.2 and 5.3 of the framework.

### 7.10.7 Data Collection and Analysis

To provide data for indicators organizationally and for the different service scorecards, annual satisfaction surveys may be undertaken amongst external stakeholders. Internally, employee satisfaction surveys may be conducted. Surveys are however not the only instruments available in performance measurements and reviews. Other tools are discussed in the Performance Review section of this framework.

The analysis phase in the performance measurement and review process entails making sense of the measurements. It requires an interpretation of the measurements to determine whether targets have been met or exceeded and to project whether future targets will be met. It also involves an analysis of the reasons behind good or poor performance and the recommendation of corrective action where necessary. Where targets have been exceeded, key factors that contributed to the success should be shared for organizational learning.

Analysis should be conducted at two levels, namely, sectoral and corporate.

#### Sectoral Analysis

Line managers should continuously analyse the measurements that they are generating. They are best placed as they have an in-depth understanding of their sectors. This will constitute a preliminary analysis and should be done by respective line managers for objectives and indicators that lie within their area of accountability.

#### Corporate Analysis

This analysis should examine performance across the municipality on all its priorities.



It should reflect trends and patterns with respect to the meeting of targets in the municipality and trends and patterns with respect to the reasons for targets not being met. This level of analysis should be able to reveal whether broader factors, such as labour relations problems or community conflict, are limiting performance. Capacity for this level of analysis should ideally be centrally located, perhaps in the office of the municipal manager or office of the executive mayor or executive committee.

## 7.11 Reviewing Performance

### 7.11.1 Review Approach

After measuring performance, a review will be undertaken to assess whether the municipality is exceeding, meeting or not meeting its performance targets. There are a number of ways in which performance reviews can be undertaken. These are as follows:

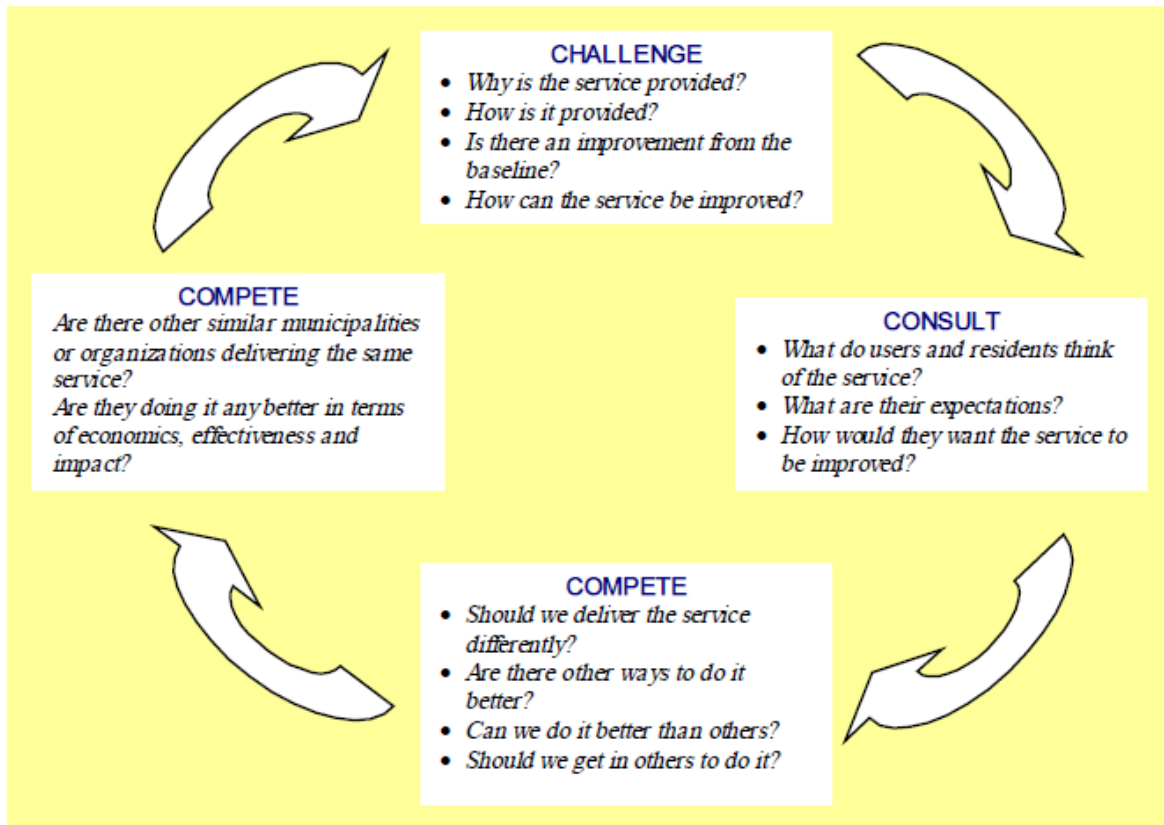
- Baseline indicators can be used to assess whether the municipality's performance is the same as, better or worse than the previous year.
- A benchmarking exercise can be conducted where the performance of the Municipality is reviewed relative to that of other, similar municipalities, public sector agencies and private sector organizations.
- The municipality's performance can be reviewed in terms of the perceptions of the people it is serving across a range of services. This may be done through a customer survey or some form of community feedback mechanism.

This review approach is in line with the Best Value Review Framework illustrated below.

The framework calls for the municipality to challenge the current level of performance, compare it to others, consult with customers, and find ways of competing with others who provide the best value in delivering the same services.



Figure 1: The Best Value Review Framework



### 7.11.2 Implementation of Reviews

#### 7.11.2.1 Co-ordination

The co-ordination of the performance review process requires a multi-disciplinary team, representative of the municipality and its key processes. The performance management team set up earlier in the performance management process will need to be augmented to include departmental representatives.

#### 7.11.2.2 Reviews conducted by Supervisors

Supervisors should review the performance of employees reporting directly to them. Their approach should be informed by the type of employee performance management system adopted by the municipality.

#### CHALLENGE

- Why is the service provided?
- How is it provided?
- Is there an improvement from the baseline?
- How can the service be improved?



## CONSULT

- What do users and residents think of the service?
- What are their expectations?
- How would they want the service to be improved?

## COMPETE

- Should we deliver the service differently?
- Are there other ways to do it better?
- Can we do it better than others?
- Should we get in others to do it?
- Are there other similar municipalities or organizations delivering the same service?
- Are they doing it any better in terms of economics, effectiveness and impact?

### 7.11.2.3 Departmental Reviews

Departments should review their performance monthly, using their service scorecards. The review should, while not restricted to, at least cover all the organisational priorities relevant to their sectors and functions. Decision-makers should be immediately warned of any emerging failures to service delivery so that they can intervene if necessary. It is important that departments use these reviews as an opportunity for reflection on their goals and programmes and to determine whether these are being achieved. Minutes of these reviews should be forwarded to the performance management team. Changes in indicators and targets may be proposed but can only be approved by the relevant portfolio committee, in consultation with the IDP manager and Performance Management manager.

### 7.11.2.4 Standing or Portfolio Committees

These committees need to manage the performance of sectors and functions respective to their portfolio. While it is important that they at least review performance of organisational priorities that lie within their portfolio, it is advisable that they review additional sectoral priorities determined by them. In order to build the role played by standing or portfolio committees, while ensuring their role remains strategic and not operational, it is recommended that they review performance as often as monthly.

### 7.11.2.5 Management Team Reviews

It is important that the municipal manager and his management team reviews performance before and more often than the Executive committee. Firstly, they will need to review performance more often, to facilitate prompt intervention on operational matters where poor performance or the risks thereof occur. Secondly they will need to review performance before reporting to politicians so that they can prepare, control the quality of performance reports submitted to the councillors and the public and ensure that adequate response strategies are proposed in cases of poor performance. It is also recommended that the executive management team review performance monthly, prior to reviews being conducted by standing, portfolio



or executive committees. At these reviews relevant sectoral or functional managers should be required to report on respective priority areas. Departments should then report on their performance in the service scorecard format to the municipal manager and the management team. It is envisaged that the management team will review the service scorecards monthly and the municipal scorecard twice annually. Additional indicators that occur in the municipal scorecard will also be reviewed. The formulation of the municipal scorecard and the process of review will be co-ordinated by the performance management team. The executive management team will need to reflect on whether targets are being achieved, what the reasons are for targets not being achieved where applicable and corrective action that may be necessary. Where targets need to be changed, the management team may endorse these, for approval by the executive mayor. The management team may delegate tasks to the performance management team in developing an analysis of performance prior to management team reviews.

#### 7.11.2.6 Mayoral Reviews

This committee should play the most significant role in reviewing the performance of the administration, as the system should be designed to allow this committee to strategically drive and manage performance in the municipality. Reviews at this level should remain strategic so that councillors are not restrained by operational discussions. In order for this reviews to be strategic it is advisable that the committee review performance quarterly, with the final quarterly review taking the form of an annual review. The content of the review should be constrained to agreed priority areas and objectives. The municipal manager should remain accountable for reporting on performance at this level, even if he delegates this responsibility to other officials.

On a quarterly basis, the Executive Mayor should engage in an intensive review of municipal performance against the service scorecards and twice annually against the strategic scorecard, as reported by the municipal manager. Many of the indicators in the strategic scorecard will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance in terms of both scorecards. The review should reflect on the performance of services and the strategic scorecard. The Executive Mayor will need to ensure that targets committed to in the strategic scorecard are being met, and where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the reasons for poor performance. The review should also focus on reviewing the systematic compliance to the performance management system, by Directorates, departments, portfolio committees and the Municipal Manager.

#### 7.11.2.7 Council Reviews

Council should review the performance of the municipal council, its committees and the administration. This review will need to take place at a particularly strategic and high level, to be practical. Council will review performance annually, in the form of a



tabled annual report at the end of the financial year, prior to the election of office bearers.

The Executive Mayor will report to council on municipal performance at least twice per annum. This reporting may take place using the strategic scorecard as part of the annual report after the end of the financial year and an interim report after the first two quarters.

The Municipal Systems Act requires that the annual report should at least constitute a performance report (the strategic scorecard), financial statements and an audit report.

#### 7.11.2.8 Public Reviews

Citizens and communities should be afforded the opportunity to review the performance of the municipality and their public representatives, in between elections. It is required legislatively that the public be involved in reviewing municipal performance at least annually. In addition to the annual report, a citizens' report should therefore be compiled and communicated through various forms of media. The public should be invited to submit comments.

### 7.12 Auditing Performance

In terms of Section 45 of the Municipal Systems Act (2000), performance measurement results must be audited:

- As part of the municipality's internal auditing processes; and
- Annually by the Auditor-General

To ensure the effectiveness of the internal audit, the capacity of the internal audit unit will need to be improved beyond the auditing of financial information to include a variety of social, economic and service delivery indicators. The unit should produce audit reports quarterly.

The Municipal Performance Management Regulations (2001) provide for the annual appointment of and budgeting for a performance management audit committee by the municipality. The committee must, on a continuous basis, audit the performance measurements of the municipality. The focus of the audit should be on economic efficiency, effectiveness and impact in terms of the municipality's indicators and targets as contained in its IDP. The committee must review the quarterly reports of the internal audit unit and present an audit report to the Council at least twice a year. Elaboration on the establishment and operation of the performance management audit committee as well the annual performance audits undertaken by the Auditor-General are beyond the scope of this framework.

Stakeholders such as citizens, community based organizations, NGO's, employees and trade unions should be involved in performance audits wherever possible. This would enhance the legitimacy and credibility of the audit process and the performance reports.

Specialist service providers may be used where the internal audit capacity needs to be complemented with specialist skills. This may become necessary in particular



sectors. If the service providers are engaged, they should be sufficiently independent and not have a vested interest in the sector. Examples of prospective service providers are academic institutions and NGO's.

### 7.13 Reporting on Performance

Reporting on performance will be done in terms of the relevant provision of the Municipal Systems Act (2000), Section 46. Reporting entails taking the priorities of the municipalities, its performance objectives, indicators, targets, measurements and analysis, and presenting this information in a simple, accessible, relevant and useful format to various target groups. Some of the reporting requirements and processes have been covered in section 5.6.2 of this framework.

Reporting facilitates accountability as follows:

- EMLM to local municipalities
- Executive Committee to Council
- Administration to the Executive Committee of the Executive Mayor
- Line / Functional / Sectoral Management to Management and Portfolio / Standing Committees
- Employees to the municipality

It will be essential to ensure that the same annual reporting format is used for all target groups to prevent confusion and facilitate a common understanding of performance reports. The following checklist will be used for ensuring good quality reports:

- The report should:
  - State the period for which it is reporting
  - State the relevant priority for which it is reporting
  - Reflect all the agreed objectives
  - Reflect all the agreed indicators
  - State agreed targets relevant to the period that the report covers
  - Reflect the performance measurement over the period in question
  - State when the measurement was done
  - Specify the source of the measurement
  - Indicate whether agreed targets were met
  - Analyse the reasons for the level of performance achieved
  - Suggest corrective action where necessary
  - Contain all necessary information
  - Remain simple, accessible and useful to the intended reader

The municipality's annual report must be made available to the public within 14 days of adoption. In addition, the public may be kept informed about the municipality's performance through press releases and briefings, community meetings and presentations, pamphlets, newsletters and radio. Feedback from the public should be



facilitated by the municipality through various ways, including but not limited to toll free telephone access to the municipality and feedback boxes at the municipal offices. A series of public hearings can also be held to report to communities and engage them in a review of past performance and an identification of future priorities. These should be held as often as the municipality's resource and capacity constraints allow.

### 7.14 Improving Performance

If there is poor performance, such performance will need to be improved as a matter of priority. Typical situations that lead to poor performance are, namely:

- Poor systems and processes
- Inappropriate structures
- Lack of skills and capacity
- Inappropriate organizational culture
- Poor stakeholder relationships
- Lack of appropriate strategies

Where there is continued poor performance, in-depth investigations may be commissioned by the audit committee or the executive mayor. The investigations should assess the reliability of performance information, the extent of performance gaps from targets, the reasons for performance gaps, and corrective action and improvement strategies.

Improvement strategies may include:

- Restructuring of inappropriate structures
- Process and system improvements
- Training and/or sourcing of lacking skills or capacity
- Change management and education programmes to address organizational culture issues
- Programmes to improve stakeholder relations
- Revision of strategies by key decision makers
- Consideration of alternative service delivery strategies (as contained in Chapter 8 of the Municipal Systems Act, 2000)

## 8 Integrated Development Plan & Performance Management System

### 8.1 Integration of departmental plans and processes



The foundation upon which the performance management system is based is the integration of departmental plans and processes and, the alignment of the individual departmental plans and SDBIP's with the strategic goals of the EMLM as a whole. Integrated planning processes are based on linkages between (5-year IDP) and annual operational level (business plans and SDBIP's) key performance measures and targets required for achieving the long-term goals of the department and the EMLM as a whole. Once analysis has been completed at a strategic level through the integration of plans, the PMS is operationalised at an organisational or departmental and individual level. Annual business plans and SDBIP's are developed at departmental, Unit and Division level.

## 8.2 The business planning process and the PMS

The EMLM promotes the development of departmental business plans and SDBIP's in the municipality. The departmental business plans setting out the main policy outcomes and milestones the department aims to achieve in the current year. The business planning process is part of the municipality's performance management framework and works as part of the connecting the community aspirations and the performance of the municipality.

The function of any business plan is to ensure that all activities carried out by the department complement the aims and objectives of the Council and the community as a whole. The departmental business plan should serve as management's guiding document and provides a basis for evaluating and comparing what the organisation should be doing and what it is in fact doing.

The departmental business plan describes how the department aims to achieve its strategic objectives through specific outputs or deliverables, linked to a measurable indicator. The strategic objectives the department has set for itself are broken up into more specific outputs, which should be attainable within a one year framework. When complete, the plan "paints a picture" of how the department plans to bring the effort or output from various divisions / units or Divisions to realise the vision/mandate of the department. The plan then also serves as a working document and gives guidance to the work of the department for the financial year under review.

On the other hand, the SDBIP's is a detailed plan approved by the Mayor of a municipality in terms of section 53(1) (c) (ii) of the MFMA, 2003 for implementing the municipality's delivery of municipal services and its annual budget.

The departmental SDBIP's are management, implementation and monitoring tools that will assist the Mayor, councillors, municipal manager, senior managers and community.



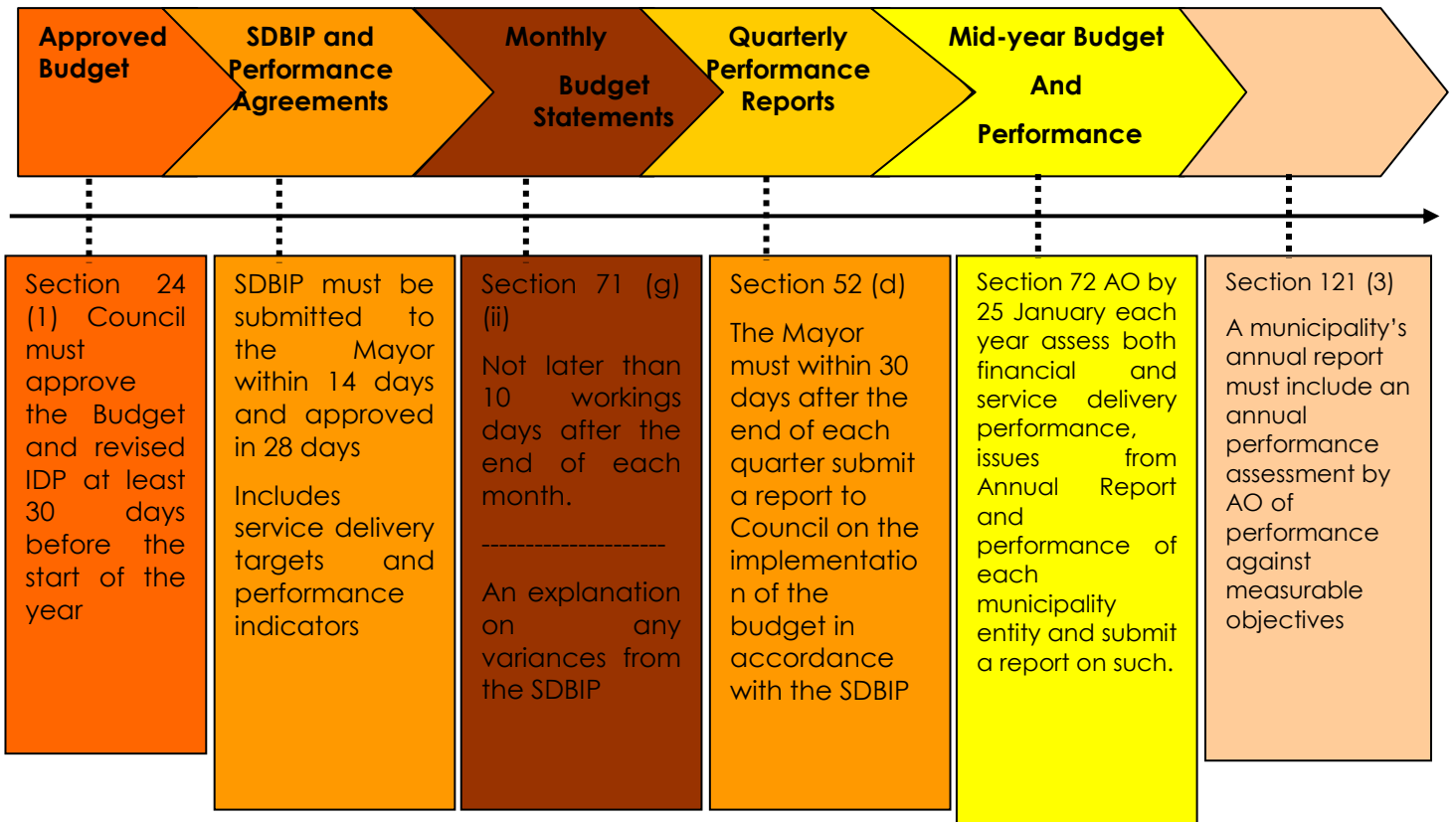
The departmental SDBIP's should ensure that appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, performance of senior management and achievement of the strategic objectives set by council. They enable the Mayor to monitor the performance of the municipal manager, the municipal manager to monitor the performance of senior managers and the community to monitor the performance of the municipality. The SDBIP should therefore determine the performance agreements of the municipal manager and senior managers at the start of each financial year. In essence, the SDBIP focuses government's attention to:

- Quality of spending
- Improved service delivery outcomes
- Measurable performance objectives
- Financial and non-financial indicators
- Accurately and timely reporting
- Increased accountability

The SDBIP links each service delivery output to the budget of the municipality, thus providing credible management information and a plan of how the municipality will provide such services and the inputs and financial resources to be used. Being a start-of-year planning and target tool, the SDBIP gives meaning to both in-year reporting in terms of the MFMA section 71 (monthly reporting), Section 72 (mid- year report) and section 121 (end of year annual reports).

The SDBIP gives effect to the IDP and budget of the municipality and will be possible if the IDP and budget are fully aligned with each other, as required by the MFMA, 2003 as depicted by the figure below.





The departmental business plans and SDBIP’s are derived from long-term strategic plan and the 5-year IDP. The business plan and the SDBIP have a one year timeframe. The business plan and the SDBIP operationalise the IDP and the budget.

The SDBIP includes –

- projections for each month of-
- Revenue to be collected by source; and
- Operational and capital expenditure by vote;
- Service delivery targets and performance indicators for each quarter; and
- Any other matters that may be prescribed and includes any revisions of such plan by the mayor in terms of section 54(1) (c).

It is recommended that each unit in the department should write unit-specific business plans and SDBIP’s, using the departmental business plan as a source document. These unit business plans outline in greater detail, the areas of delivery



and performance each unit will be responsible for, and which departmental outputs they will be contributing towards. They reflect in greater detail inter-linkages with other departments or units and describe the specific actions to be undertaken for the period under review.

Team or unit workplans are also important requirements of the PM framework. Plans should reflect the level of detail required according to the nature of the team's responsibility. Plans must be very focused on the task for which the team is accountable.

The departmental business plan and the SDBIP form the basis for the performance plan/scorecard in the performance agreement of the Director of Department. This particular plan forms the basis for drawing up the performance agreements and other performance instruments for other senior managers in a department. The Director's performance plan/scorecard should be further cascaded down to senior managers and other personnel at lower levels. Ultimately, you should be able to start at the lowest level and trace the outputs of an employee to see how it links and contributes to outputs at higher levels, and it should ultimately be traceable back to the scorecard of the Director and linked to the IDP, business plan and SDBIP.

The business plan and SDBIP links to the PMS in that it reflects the integration of plans for all departments and is informed by the strategic plan and the plans of the HR, financial and service delivery aspects of an organisation. To ensure that the business plan and SDBIP are essentially performance orientated, it is critical to have a conceptual overview of the following:

- A common or shared understanding of the department's mandate.
- A clear understanding of clients and how their needs are translated into key strategies/objectives or key performance areas.
- A clear understanding of the way in which key strategies or objectives are expressed as measurable outputs or key deliverables.
- How these outputs/deliverables influence core business processes.
- How the new insights into the organisation's core business processes can affect the structuring of a department/Division/team and the capabilities and skills required by these staff groupings.
- How all the above link to the PMS and the budget and act as monitoring and evaluation tools for the organisation.

### 8.3 Strategic level components

The departmental vision and its strategic focus, should link directly to the strategic goals of the EMLM. If the linkages cannot be traced, the EMLM runs the risk of not being able to meet its commitments. The departmental strategic objectives should



provide a clear indication of how the goals will be achieved. The strategic objectives should reflect consideration of

- The departments clients and services to be delivered,
- Priority services for a next three year period,
- Cost of provision of services,
- Budget implications,
- Business process re-engineering requirements,
- Systems, processes and resources needs,
- Innovative service delivery options, with budget allocations.

#### 8.4 Organisational level components

EMLM is composed of various departments. Each department is expected to develop a departmental-specific strategic plan linked to the District Council vision, mission, strategic objectives and overall constitutional and political mandate. The various departments are expected to develop business plans and SDBIP's to operationalise their strategic plans.

The **departmental business plan and SDBIP's** are annual plan of operation and includes key performance measures and targets (milestones, schedules and resources requirements). The departmental business plans and SDBIP's describes the actions that the department will take to achieve its vision, mission, strategic objectives, key performance indicators and targets it has set for each financial year.

The departmental business plan and SDBIP are cascaded through the department into **Division or Branch** (where these exist) plans. They need to be reflected in various weekly, monthly and quarterly plans. In some cases, the departmental plans will guide the development of day-to-day activities of personnel in certain levels in the department. These departmental plans should clearly reflect inter-linkages with other Divisions and how responsibility is allocated between them. Resource requirements or enabling conditions that must be in place should also be clearly reflected.

Team or unit performance is central to improving the performance of the District municipality. **Team or unit plans** should be essential element of EMLM' PMS. Team or unit plans must be very focused on the task for which the team or unit is accountable.

#### 8.5 Individual level components



Individual employees are vital to the performance of EMLM. The Local municipality PMS is premised on creating effective linkages between the organisational objectives and those of individual employees. The PMS creates a platform to cultivate a new public service cadre critical to the implementation of government service delivery agenda. The PMS should facilitate the development of an accountable bureaucracy that translates Council's constitutional mandate and political agenda into every-day strategic languages and measurable performance measures and targets.

The individual component allows the cascading of departmental strategies, business plans and SDBIP's into performance instruments of individual employees. Performance agreements and other instruments will be developed for each and every individual employee in the department. These performance instruments will allow each and every individual employee in the department an opportunity to outline objectives, key performance indicators and targets reflective their respective job profiles.

The local municipality's proposes three kinds of performance management agreements:

#### 8.5.1 Performance agreements,

Performance plans/ scorecards (with performance agreements) are used for the management echelon (levels 0-2) and/or for any other staff members who have direct responsibility over budgets and the deployment of other staff.

#### 8.5.2 Performance commitments,

Performance commitments (with performance commitments agreements) are descriptions of actions that staff members must take in order to perform their jobs effectively. They apply to all staff members who are not covered by performance scorecards or standards frameworks.

- Standards framework agreements, each with its own performance management plan/scorecard.



Standards frameworks (with standards framework agreements) identify key performance areas (KPA) and the generally accepted levels of performance that relate to these KPA's.

**Competency profiles** describe the generic knowledge, skills and attitudes required by staff members in order to perform effectively.

These issues are described in further detail below.

### 8.6 The performance management cycle

Performance management cycle (PM cycle) is a critical phase of performance management. The PM cycle outlines essential key phases and activities of a PMS. These phases are cyclic in nature and require the same attention to detail and prudence every time they are conducted. The figure below depicts the individual performance management cycle in relation to EMLM's financial year.



Figure 5: Performance Cycle for Individual Employees





The municipal financial year commences on the 1st July of each year to the 30th June the next year. The EMLM PMS Policy contains five main phases. A detailed explanation of the phases and activities of the PM cycle is provided below:

**Table 3: The Performance Management Cycle**

What to do....	How to do it....
<p><b>Planning and Contracting</b></p>	<ul style="list-style-type: none"> <li>• The staff member shall prepare his or her performance instrument before he or she meets with the supervisor based on the department or unit business plan and SDBIP.</li> <li>• They will then agree on a date where upon the agreement will be discussed with the intention of signing the agreement</li> <li>• After both parties have reached an agreement on the weightings and ratings of the outputs and competencies, they will then both sign the agreements</li> <li>• The date of the next quarterly coaching (assessment) should be agreed upon at this session</li> </ul> <p>The planning and contracting process involves communicating with the employee the expectations for the evaluation period. This is a joint identification of individual performance expectations by each employee and his/her direct manager, as against organisational objectives.</p> <p>During this phase, performance objectives and expectations are documented and committed to by means of a signature. The performance objectives:</p> <ul style="list-style-type: none"> <li>• provide an up-front, mutually understood and accepted basis for reviewing and discussing performance results.</li> <li>• reduce misunderstandings between the manager and the employee about what performance results he/she is expected to achieve.</li> <li>• specify each employee's role in accomplishing things that are important for the work unit and the organization.</li> <li>• help the employee to self-monitor progress by providing clear performance targets.</li> </ul> <p>Areas where development and growth is required to achieve performance expectations are identified and captured within a Personal Development Plan (PDP).</p> <p>The process of planning and contracting for various employees is discussed below.</p>
<p><b>Monitoring and</b></p>	<p>This process entails actively seeking feedback and making use of the data to improve performance. In</p>



What to do....	How to do it....
<b>Coaching</b>	<p>the coaching session, the manager and an employee are offered the opportunity to assess progress against performance plans, describing actions to be taken and soliciting assistance. Manager should have something to contribute; prevents surprises and eliminated any possibility of the manager's later complaining that an obvious problem was not anticipated.</p> <p>It is the responsibility of both the supervisor and the staff member to undertake monitoring and coaching sessions. In other words the supervisor and staff member shall remind each other about the agreed date of coaching.</p> <p>Coaching sessions must take place on a regular basis.</p>
<b>Reviewing</b>	<p>The aims of the reviewing phase involves a meeting between employee and manager to discuss results achieved (<b>what</b>), performance effectiveness (<b>how</b>), summary performance rating, and development progress and plan.</p> <p>The review process needs to occur at the mid-point and end of the performance cycle.</p>
<b>Rewarding</b>	<p>This phase establishes the link between performance and reward. It aims to direct and reinforce effective work behaviours by determining and allocating equitable and appropriate rewards to employees.</p>
<b>Renewal</b>	<p>Once the review and rewarding of last year's performance is completed, the employee and manager begin to plan for the next performance cycle.</p> <p>The renewal process offers an employee and the manager an opportunity to set objectives and targets informed by the performance results of the previous financial year. In addition, this phase allows the employee and manager to take cognisance of government's yearly programme of action and changing priorities.</p>

### 8.6.1 Scorecard development



The planning and contracting phase of the PM cycle entails the performance scorecard/performance commitment and standards framework development process. The scorecard development process is underpinned by the following guidelines:

- Each scorecard of section 57 employees and managers should contain Performance measures (key performance indicators (KPIs) and targets) for all the five KPA's of local government (Basic service delivery, local economic development, municipal transformation and organisational development, municipal financial viability and management and good governance and public participation).
- KPI's and targets should strategic, result focussed and limited.
- KPI's and targets should be SMART (simple, measurable, attainable, realistic and time-bound).
- Employees should choose KPI's and targets that can be supported by concrete evidence (performance data). Such performance data should be collected without much effort.
- Performance data required to demonstrate achievement should lend itself to independent verification process by both internal and external sources.

### 8.6.2 Assigning weightings

- Performance scorecards, performance commitments and standards frameworks must be assigned weightings of a total of 100%.
- Each KPA must be assigned a weighting of the 100% commensurate with the importance of such KPA.
- Each KPA must be assigned one or more KPI's and targets.
- Unit of analysis for KPI's and targets is a number (#) or percentage (%).
- Each KPI is then considered in terms of the scale of 1 to 5, and the indicators of performance at each level must be defined.
- No KPA should be assigned a weighting of more than 30%.
- Baseline information should be provided for each KPI.

### 8.6.3 Roles and responsibilities

The EMLM performance management framework assigns roles and responsibilities to various political structures, political office bearers and municipal administration:

### 8.6.4 The Council of EMLM should:

- Set vision, mission and strategic direction of the municipality;
- Approve the Performance Management Framework and Policy;
- Submit annual report to Auditor General/ MEC;



- Receive reports from performance audit committee;
- Monitor Municipal Performance;
- Receive performance reports from the Executive Mayor;
- Appoint Audit Committee;
- Approve the Remuneration Policy for section 57 employees and Incentive Scheme for all employees; and
- Approve budget for rewarding and recognising good performance.

#### 8.6.5 The Executive Mayor is required to:

- Facilitate development of IDP and PMS;
- Receive monthly reports on implementation of PMS;
- Review performance of the municipal manager;
- Report on organizational performance to the Council quarterly;
- Recommend the allocation of performance scores of section 57 employees to Council and;
- Receives performance reports from the Performance Audit Committee.

#### 8.6.6 Municipal Manager

- Assigned the responsibility of developing the PMS;
- Ensure alignment of the PMS alignment with other systems;
- Oversee the implementation of the PMS submitting the required performance reports on regular basis to Council and other structures;
- Ensure that the system is implemented in line with legislative and policy frameworks;
- Mediate over disagreements between supervisors and employees; and
- May delegate the implementation of the PMS to the COO.

#### 8.6.7 Mayoral Committee Members

- Oversee the implementation of PMS in their departments as per the Executive Mayor's sub-delegation of his roles and responsibilities and the new governance model.

#### 8.6.8 Section 79 Committees

- The role of Section 79 Committees in the implementation of the EMLM' PMS is meant to enhance accountability, transparency and realise the separation of powers between the legislature and the executive.
- The definite role of Section 79 Committees in the implementation of PMS is outlined in their terms of reference.

### 8.6.9 Chief Operations Officer:

- Communicating the vision, mission and strategic direction;
- Overseeing the process of design and implementation of scorecards and commitment plans;
- Communicating the strategic and operational plans;
- Communicate their performance agreements to staff;
- Facilitating ongoing review of performance against set targets;
- Ensuring that the system is implemented in line with legislative and policy frameworks; and
- Mediating over disagreements between supervisors and employees (if delegated by the municipal manager).

### 8.6.10 Chief Financial Officer

- Decentralise budget regarding performance management to the respective responsibility managers (Directors);
- Ensure that all Directors have budgeted for performance management linked expenditure; and
- Ensure that allocated financial resources reflect the strategic priorities of the District municipality.

### 8.6.11 Director: Strategic Management

- Coordinates the development of performance agreements for section 57 employees;
- Ensures organisational compliance on the implementation of PMS;
- Initiative together with Director: Corporate Services capacity building programmes on performance management;
- Facilitate organisational performance reporting; and
- Support the implementation, maintenance and review of the system.

### 8.6.12 Director: Corporate Services

- Is custodian of the individual PMS;
- Ensures implementation of Council decisions on rewards and recognition of good performance;
- Engages organised labour on the implementation of PMS in the District municipality and other related issues;
- Provides training on the system; and
- Advices on HR systems and practices that are integrated to the Performance Management System.



### 8.6.13 Every Director and supervisors

Performance management is a line function responsibility. Every director and supervisor is primarily responsible for the implementation of EMLM's PMS in his/her department or area of responsibility. Each director and supervisor is responsible to:

- Jointly, with an employee, develop performance scorecards and other performance instruments that will help achieve the Department's objectives;
- Conduct regular monitoring and coaching sessions on performance;
- Collate the required evidence to support achievement against performance measures and targets;
- Timely identify areas requiring performance improvement and develop and implement performance improvement plans for unsatisfactory performers;
- Conduct annual performance reviews;
- Develop and implement, jointly with employees, personal development plans; and
- Speedily address grievances in terms of the grievance procedure.

### 8.6.14 Employees

- Equal participation with supervisors in developing performance plans/scorecard and other performance instruments;
- Take responsibility for her or his own personal development;
- Understanding of own job description and responsibilities;
- Understanding of the Department's strategic objectives and how he/she can contribute to achieve these objectives; and
- Provide feedback to supervisor on obstacles to achieving agreed objectives/standards.

### 8.6.15 Ward Committees, residents and communities

- Involved in identification of development needs;
- Involved in the development of KPI's and targets in their respective ward areas;
- Receive and comment on quarterly performance progress reports;
- Participate in the reviews of the municipal performance;
- Be given the opportunity to indicate their perceptions on the municipal performance through performance surveys and other instruments; and
- Submit, through ward committee structures, monthly independent performance progress reports on service delivery programmes and projects in their ward areas.

## 8.7 Communication



Communication is the integral part of the performance management system. The system requires that at least a supervisor and the staff member to communicate four times during the performance management cycle. This does not stop the communication between the staff member and the supervisor on daily, weekly or monthly basis if a need arises. Any changes to the signed performance plan/ scorecard/ statement of commitment by the staff member or supervisor must be agreed by all parties and should be communicated to the office of Directors: Strategic Management and Corporate Services within 7 days of such changes.

## 8.8 Internal Audit Committee

Internal Audit Committee is required to develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. This legislative requirement entails an assessment of the following:

- (i) The functionality of the municipality's performance management system;
- (ii) whether the municipality's performance management system complies with the Act; and
- (iii) The extent to which the municipality's Performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10.

### *Internal Audit is further required to:*

- (a) Audit the performance measurements of the municipality on a continuous basis; and
- (b) Submit quarterly reports on their audits to the municipal manager and the performance audit committee.

## 8.9 Performance Audit Committee

As permitted by legislation (MPPMR, 2001) the Performance Audit Committee may determine its own procedures after consultation with the Executive Mayor of EMLM.

The Performance Audit Committee shall be established for the purposes of:

- Reviewing the quarterly performance reports;
- Reviewing the municipality's performance management system and make recommendations in this regard to the Council; and



- At least twice during a financial year submit an audit report to the EMLM Council.

STAKEHOLDERS	INVOLVEMENT	BENEFITS
	ADMINISTRATIVE OVERSIGHT	
Executive Mayor	Facilitate the development of a long term Vision regarding IDP	Optimum and equitable service delivery.
	Mayor is responsible for the performance and need to approve the SDBIP and submit the annual performance report to Council	
Mayoral Committee	Provide strategic awareness and manage the development	Promotes public awareness and satisfaction.
Portfolio Committee	Manage the implementation of the strategy. • Review and monitor the implementation	Facilitates the process of benchmarking and collaboration with other municipalities.
Council	Adapt the PMS policy and approve the IDP. • Monitor performance.	Provides a mechanism for the implementation and review of PMS and IDP achievement.
STAKEHOLDERS	INVOLVEMENT	BENEFITS
	OFFICIALS	
Municipal Manager	Ensure the implementation of the IDP and the PMS. • Communicate with the Executive Mayor and Management Team.	Clarifies goals, targets and work expectations of the executive management team and other senior managers
Management Team	Execute performance targets Manage Departmental SDBIP's and Performance.	Facilitates the identification of training and development needs at different levels in the municipality.





Line Managers	Implement the departmental business / operational plans	Monitor employee Performance
Town Managers	Implementing town SDBIP's and reporting to ward committees	Facilitate the needs at town level and support required by towns from corporate and effective service delivery
Internal Audit	Assess the functionality, effectiveness and legal compliance with the PMS.	Enhances the credibility of the PMS and the IDP. • Enhances the status and role of Internal Audit.
Administration	Maintaining of data and implementing agents	Clear understanding of what is required • Effective service delivery
<b>STAKEHOLDERS</b>	<b>INVOLVEMENT</b>	<b>BENEFITS</b>
	<b>COMMUNITY / PUBLIC</b>	
Representative Forums / Ward Committees	Inform the identification of community priorities. • Public involvement in service delivery of the municipality.	Provide a platform for the public / communities to inform and communicate with Council.
<b>OTHER PARTNERS</b>		
Auditor-General	Ensure legal compliance.	Provides warning signals of under- performance which can provide pro-active and timely interventions.
Performance Audit Committee	Independent oversight on legal compliance. (Audit committee)	Provides warning signals of under- performance.

## 9 Performance Management Systems

### 9.1 Implementation of the Performance Management System

Subsequent to the adoption of the performance management system, the municipality should develop an implementation strategy. The strategy will be linked to the municipality's IDP implementation framework and should include performance management planning, implementation, monitoring and review.

#### 9.1.1 Planning for Performance

The planning undertaken in the Integrated Development Planning process fulfils the planning stage of performance management. Performance management then translates into the management, monitoring and evaluation of the IDP implementation process. The planning stage entails the setting of priorities and objectives as follows:

##### **Setting priorities**

Priorities are essentially the issues that the municipality pronounces to focus on in the order of importance so as to address the development needs and challenges identified in the municipal area. The priorities may be clustered into the following key performance areas, which represent the broad developmental mandate of local government:

- Infrastructure and services
- Social and economic development
- Institutional transformation
- Democracy and governance
- Financial management

Some of the priorities may not fit neatly into the key performance areas indicated above. The municipality needs to ensure that these are also included.

##### **Setting objectives**

The priorities set above, as well as other components of the IDP, including strategies, will be captured as a set of clear and tangible objectives. Concise, unambiguous statements of objectives need to be constructed. The objectives need to be measurable and have clear time frames attached to them. The intention of each objective must be clear and the results desired must be carefully considered. The objectives must be outcome and impact focused and the nature and scope of the change desired must be clear. Well-constructed objectives will facilitate the choice of the most appropriate indicators, which is the next step in the process.



### 9.1.2 Setting Key Performance Indicators (KPI's)

Indicators are a critical dimension in performance management in that they are the measurements that tell whether performance goals and objectives are being met or not. They can be used to translate complex performance concepts into simple, operational, measurable variables and to create a common framework for gathering, measuring and reporting performance data. Annexure A enlists some types of indicators that the municipality needs to understand.

#### **Identifying Indicators**

The Municipal Systems Act requires local government to measure performance on outputs and outcomes, and the Municipal Performance Management Regulations (2001) require municipalities to set KPI's relating to inputs, outputs and outcomes. It is however also useful to measure processes. The activities and processes identified in the IDP to achieve objectives therefore need to be looked at as well as the resources earmarked to achieve the objectives.

#### **Criteria for Good Key Performance Indicators**

KPI's should have the following characteristics:

- **Measurability:** should be easy to calculate from data that can be speedily, easily and at reasonable cost, within the municipality's financial and administrative capacity
- **Relevance:** should measure only those dimensions that enable the municipality to measure progress on its objectives
- **Objectivity:** should state clearly what is to be measured, without ambiguity
- **Precision and validity:** should measure only those dimensions that the municipality intends to measure
- **Adequacy:** should measure quality, quantity, efficiency, effectiveness and impact separately for each priority and objective
- **Simplicity:** should measure one dimension of performance (quality, quantity, efficiency, effectiveness, impact) at one given time; should separate the dimensions and set separate indicators for each; should be easy to understand and easy to use

Furthermore, indicators should enable consistent collection of performance data, be comparable and sufficiently accurate to allow comparisons in the performance of the municipality over time; be verifiable by senior managers and auditors; be statistically valid; be cost effective in terms of data collection; and be attributable.

It is also important to ensure that there is data available in the municipal area, or that the municipality has the capacity to collect the data for the measurement of indicators. The municipality must co-operate with institutions and other sources of data in sharing useful information.

#### **Setting Performance Targets**

The Municipal Performance Management Regulations (2001) require municipalities to set performance targets for each KPI identified, for each financial year. Performance targets may



be defined as the goals / milestones / planned levels of performance that the municipality sets for each indicator identified. They are typically expressed in terms of quantity or time. The regulations require performance targets to:

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

In setting performance targets, the EMLM municipality will first identify baseline measurements per indicator, i.e. the measurement of the indicator as at the 2003/04 financial year. Targets will then be identified for each indicator – projecting to the next financial year (2004/05). Participants in this process should include:

- the public – need to be consulted on their needs and expectations
- politicians – need to give clear direction as to the importance of the target and how it will address the public need
- line managers – need to advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity, seasonal changes and other externalities that need to be considered.

While targets should be realistic, they also need to be developmental and challenge the municipality to do things significantly better.

Once targets are set, decision-makers should make a contractual commitment to the achievement of the targets within agreed timeframes and notify the relevant stakeholders.

## 9.2 DEVELOPING A MONITORING AND REPORTING FRAMEWORK

### 9.2.1 Requirements of a monitoring framework

Performance monitoring is an ongoing process which runs parallel to the implementation of the IDP.

The monitoring framework must:

- Identify the roles of different role players in monitoring and measuring performance;
- Allocate specific tasks for the gathering of data and submission of reports;
- Determine the data which must be collected in order to assess performance, how that data is to
- Be collected, stored, verified and analysed and how reports on that data are to be compiled;
- Provide for reporting to the Council at least twice per year;
- Be designed in a manner which enables the municipality to detect an early indication of under performance;
- Provide for corrective measures where under performance has been identified;
- Compare current performance with performance during the previous financial year by using the baseline indicators.



### 9.2.2 Designing a Performance Measurement Framework

There are three levels of reporting namely to the Municipal Manager and Audit Committee, to Council and to the MEC for Local Government. Reporting to the Municipal Manager and the Audit Committee must be done after the measurement has been done at the end of each quarter.

Reporting to Council must take place in January and July of each year. Reporting to the MEC must be done on an annual basis in July and forms part of the annual report of Council.

Performance measurement will include the measurement of:

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

The main purpose of the performance management system is to improve performance by identifying reasons for under performance and designing measures to take corrective action. In the case of Section 57 employees, it can form part of their performance contract in terms of which rewards are calculated.

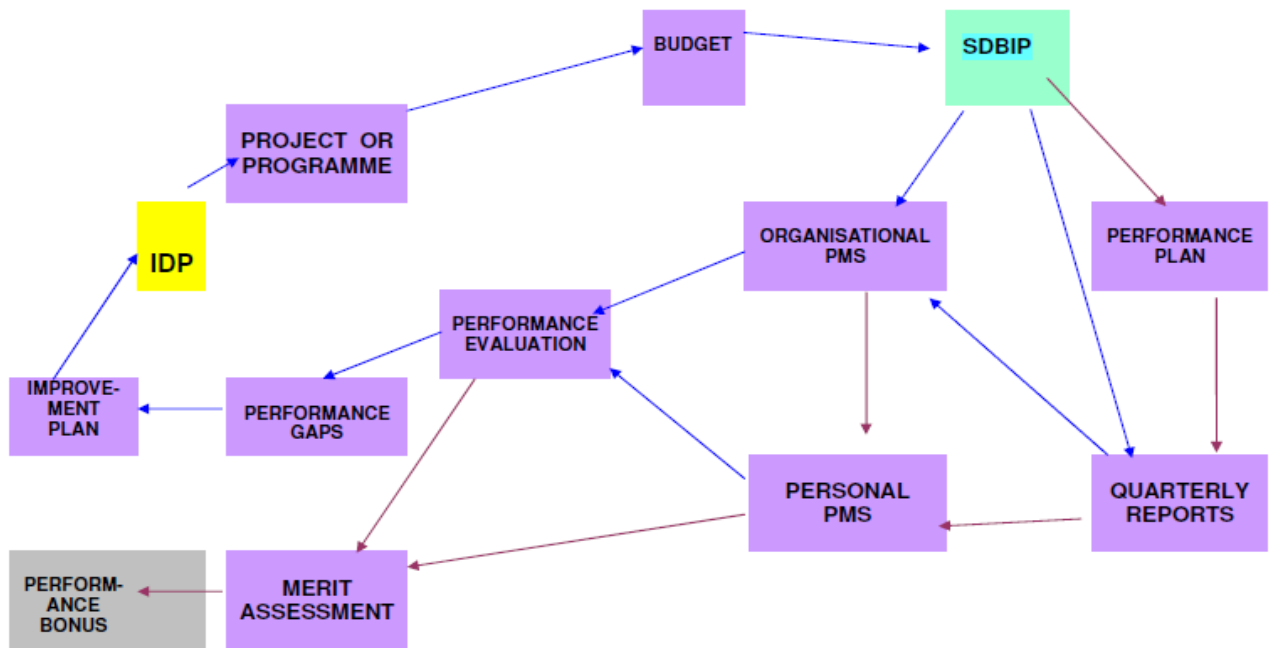
Line managers will be responsible for most measurements. Measurement, assessment and reporting will be central to the management duties of Senior Managers, Managers and Supervisors. Every supervisor and manager must be given adequate training. Following that, they should, at least bi-annually but preferably quarterly, have a performance interview with all staff under their direct supervision to ensure that:

- The performance plan for each employee aligns with the performance plan for the organization and the IDP;
- Performance gaps and reasons for those gaps are identified;
- A consolidated report is submitted relating to improving organizational constraints to performance for consideration by management or in the next revision of the IDP or by Council, as the case may be;
- Personal performance gaps are identified and that an improvement plan is prepared for each Section identifying corrective measures such as training needs, better control measures, better delegations or other measures to be taken.

A copy of the Performance Improvement Plan must be submitted to Human Resources as part of the personal performance management system which should be developed to align with the organizational performance management system.

**THE RELATIONSHIP BETWEEN ORGANIZATIONAL PERFORMANCE MANAGEMENT SYSTEM, THE IDP, THE FINANCIAL MANAGEMENT SYSTEM AND THE PERSONAL PERFORMANCE MANAGEMENT SYSTEM IS INDICATED IN THE FOLLOWING FIGURE.**





The Minister for Provincial and Local Government published the Municipal Planning and Performance Management Regulations in 2001. Performance management in his context does not refer to the performance of employees but to the organisation. While the two are related and the MSA does require that senior municipal officials are appointed on performance contracts, there is no legal requirement that a municipality should have a PMS for its employees. Performance Management in Chapter 6 of the MSA refers to the performance management of the municipality as an organization.

This policy framework sets out the options of measuring on the organizational level but can also be used for the assessment and review of individual employees. The development of a personal PMS is a Human Resources function.

### 9.2.3 Service Provision rendered to and on behalf of the Municipality

If the Municipality decides to appoint an external service provider e.g. welfare organization to manage a crèche, the municipality still remains responsible for the performance in terms of that contract. It must be managed in the following manner: An identified employee of the municipality must be tasked to manage the end-to-end process;

- Specifications of the service required should be clearly documented;
- Targets aligned to performance indicators should be described which clearly reflect outputs, outcomes, quantity and quality in relation to associated costs and time frames;
- A service level agreement must be entered into between the municipality and a service level provider;
- Monitoring and reporting mechanisms must be put in place by the responsible Department to monitor service levels and the attainment of targets

### 9.3 Individual Performance Management Agreements

The EMLM's PMS uses performance agreements as the basis to plan and contract on individual performance. Performance agreements and other performance contracting tools are necessary to implement the EMLM' PMS. The performance agreement and other contracting tools must be drawn up and signed each year, and the listing of outputs and activities should be done annually and weighted for each year. The development of individual agreements is a critical step in the first phase of the performance management cycle. These should be linked to the development of departmental and Division business plans. Individual plans are the basis upon which employee performance will be measured in the department. There are three different tools that can be used. These are the:

- Performance agreement (PA)
- Work-plan agreement (WPA)
- Standards framework agreement (SFA)

The contents of these agreements must relate to the information contained in the relevant and applicable job descriptions as required by the MSA, 2000, Municipal Performance Regulations for Section 57, 2006 and other strategic documents.

The table below provides guidelines on different performance instruments and their application to various levels of personnel in the municipality.

Table 4: Performance instruments and levels of employees

TOOL	APPLICABLE TO	KEY ASPECTS
<b>Performance agreement</b>	<ul style="list-style-type: none"> <li>• All personnel at levels 0-4</li> </ul>	Performance is assessed in terms of outputs/deliverables and not activities
<b>Work-plan agreement</b>	All personnel at levels 5 to ....	Performance is assessed here in terms of actions required to complete the set tasks.



TOOL	APPLICABLE TO	KEY ASPECTS
<p><b>Standards framework agreement</b></p>	<p>All personnel at levels 5 to .....;</p> <p>Some categories of professional staff may require standards frameworks.</p>	<p>Performance is assessed against general performance standards;</p> <p>Performance standards for professionals are determined by their professional bodies.</p>

### 9.3.1 The Performance Agreement

The system of performance agreements for senior managers was introduced by the MSA, 2000, the various regulations governing performance management in local government.

The municipal manager and managers directly accountable to the municipal managers (section 57 employees) must review the provisions of their PAs during June each year and must conclude a new performance agreement that replaces the previous agreement at least once a year within one month after the commencement of the new financial year. New appointed section 57 employees must conclude their PA's within the first three months of appointment.

The same regime applies to staff members who have been not employed as section 57 employees.

A performance agreement, also known as a performance contract, defines expectations- work to be done, the results to be attained and the attributes (skills, knowledge and expertise) and competencies required to achieve the results. It also identifies the measures used to monitor, review and assess performance.

The performance agreement comprises three parts:

- the formal agreement between the two parties;
- a performance plan (also called a scorecard); and
- a personal development plan.





All section 57 employees (levels 0-4) and senior managers below the level of section 57 who are responsible for the management of budgets and staff must sign Performance Agreements. A key aspect of the PA is that performance is assessed in terms of clear measurable accountabilities, objectives/outputs/targets, main job activities and tasks and list of competencies.

To comply with EMLM strategic intent, the Performance Agreement shall contain a minimum of the three KPA's (Municipal Institutional Development and Transformation, Municipal Financial Viability and Management and Good Governance and Public Participation).

The main focus areas that must be contained in the Performance Agreement are the covered in the example of a Performance Agreement.

The Performance Plan forms part of, and fits in the planning and contracting phase of the performance management cycle. This involves the linking of the provincial strategic plan, with the departmental strategic plan, and cascading that into units, Divisions and teams/units. The individual performance agreement must contain and reflect that part of the strategic plan relating to the individual's job.

### 9.3.2 The Performance Commitment Agreement

As with the Performance Agreement, the Performance Commitment Agreement also comprises two parts:

- (a) The Performance Commitment Agreement, signed between the two parties; and
- (b) A performance plan (also called a scorecard)

The **Performance Commitment Agreement** is applicable to personnel, at levels 5 to..... A key aspect of the PCA is that performance is assessed in terms of **main job activities and tasks** and **written job descriptions**.



The **Performance Plan or Scorecard** for Performance Commitment Agreement is similar to that for PA's, with the exception that in the WPA the focus shifts to main job activities and tasks and written job descriptions. The performance scorecard attached to the PCA will have KPA's relevant to the main job activities and tasks and written job descriptions of the incumbent. The performance scorecard must contain and reflect that part of the strategic plan relating to the individual's job.

### 9.3.3 Phases of Individual Performance Review Processes

<p style="text-align: center;"><b><u>1. THE PLANNING PHASE</u></b></p> <p>In this phase (July of each year), the Executive Mayor and then the Municipal Manager and his/her direct reports, plan what work the Municipal Manager and each Manager will be required to do during the financial year. This requires completing a performance plan which will detail what the Manager's objectives are, what the deadline dates and weightings are, and what the performance indicators or evidence is that will be used to "prove" that the objectives have been achieved.</p>	<p style="text-align: center;"><b><u>2. THE COACHING PHASE</u></b></p> <p>Coaching must happen ALL the time so that the employee always knows how well he/she is doing. Coaching can be formal/informal and it allows the employee to discuss with his/her manager progress against the performance plan and to decide if anything needs to be changed before the formal review in June.</p>
<p style="text-align: center;"><b><u>4. THE REWARDING PHASE</u></b></p> <p>A separate meeting should be held between the manager and the employee to show the link between the employee's final score and reward. This will be determined by the remuneration policy of the municipality. The reward meeting must be held after the performance reviews for the Municipal Manager and his/her direct reports have been held and after the appropriate political authority have finalized and agreed to the performance related pay for that particular financial year.</p>	<p style="text-align: center;"><b><u>3. THE REVIEWING PHASE</u></b></p> <p>This is a formal meeting held in June of each year between the Manager and the employee to rate the employee using the performance plan that was set at the beginning of the financial year.</p>

## 9.4 Guidelines Municipality's Staff without Performance Agreements

### 9.4.1 Introduction

The performance reward system applied to Section 57 Employees is different from the performance reward system applied to employees who are not. If an employee is a permanent employee of Council, performance is not directly linked to pay.



Currently the permanent employee receives an annually bargained increase determined by the South African Local Government Bargaining Council. (SALGBC) Normally these permanent employees (*Bargaining Unit Employees*) receive rewards for performance, but in the form of non-cash rewards. This will only change when national remuneration policy change.

#### 9.4.2 Non-cash Awards

- There are a number of advantages to non-cash rewards:
- The “memory value” is high;
- The reward is reinforced by peer admiration;
- They can be tailored to the municipality’s goals and individual preferences;
- The municipality can control the duration and impact of these types of awards;
- The reward can be instant and frequent.

#### 9.4.3 Types of Non-Cash Awards

There are THREE types of non-cash awards within the PMS:

- *Formal rewards linked to a personal scorecard.* This reward is allocated to an individual and is determined by the score on the employee’s scorecard;
- *Achievement award.* These rewards measure the achievements of an individual or functions/department against other individuals or functions/department. It does not have a direct link to PMS of employees, but is an additional effective way of encouraging and recognizing outstanding performance.
- *Informal rewards.* These are very low cost and linked to motivational team building.

PERFORMANCE LEVELS	EXAMPLES OF NON-CASH REWARDS
Outstanding/above performance levels	1. Employee is granted “free” leave days; 2. The employee is able to attend a conference/seminar relevant to his/her work where the cost equals the value of the leave days spelled out in 1 above; The employee may select a work tool that will enhance his/her ability to perform better in his/her job, with this cost relating to the value of the leave days mentioned in 1 above.
Average	No specific reward
Below Average	Compulsory Performance Counselling

## 10 Performance Coaching and Monitoring

### 10.1 The purpose of performance coaching and monitoring



Performance monitoring is a continuous process of measuring, monitoring and evaluating the performance of an organisation and individual employees against KPA's and targets agreed during the planning and contracting process.

In order to maintain, sustain and continuously improve service delivery by the municipality, performance should be monitored in order to ensure that municipal employees deliver against stated objectives and targets and implementation is done according to what is planned. Such monitoring should not only focus on financial measures but monitor the performance of the municipality as a whole. In this regard, the municipality's PMS is concerned about improved performance in all performance areas and its constitutional and political mandate.

The performance of municipal employees will be based on performance measures and indicators that make the greatest impact in the life of local communities.

The purpose of performance coaching and monitoring is to continuously assess the level of progress made against set performance measures and targets and also provide adequate feedback on how the employee is doing towards achievement the levels of desired performance. In addition, coaching and monitoring allows the supervisor and employee to identify, as early as possible, issues that are likely to hinder attainment of the desired level of performance. This process further allows the supervisor and the employee an opportunity to take corrective action timely.

Coaching is about giving an employee ongoing feedback on his/her performance and take the necessary steps to improve performance when required.

There are two types of coaching and monitoring process:

### 10.1.1 Formal coaching and monitoring

The legislation requires that at least four quarterly coaching sessions are held between the manager and his or her subordinate. Formal coaching occurs in a meeting format, usually with a pre-arranged date and time. Formal coaching sessions are a good platform for formal feedback.

### 10.1.2 Informal coaching and monitoring

Informal coaching sessions usually take the form of general discussion on performance progress. They are not planned and occur within the routine of discussing and reporting on



performance progress. Informal coaching facilitates the creation of an environment not hindered by formal processes.

It is advisable that information coaching sessions should not replace mandatory performance reviews.

## 11 Performance Reviews

### 11.1 The purpose of performance reviews

Individual employee and team performance review are a critical component of EMLM's performance management. Performance reviews constitutes an important part of the municipality's constant effort to improve and grow. Employees who are subjected to regular reviews are more likely to do well, as they expect to be evaluated and recompensed for their consistent hard work.

Performance reviews provide an opportunity for employees and supervisors to discuss individual performance over the last year or so.

Continuously and consistent review of an individual employee and teams work towards achieving EMLM's constitutional and political mandate and the objectives and key performance areas agreed to during the planning and contracting phase. Performance review is conducted through a series of review discussions that form a continuous process of monitoring and assessing individual and/or team performance. They work on the basis of the 360° principle, which means that feedback on performance should be received from a wide range of sources, not only the supervisor.

Performance reviews would be conducted on the basis of agreed performance scorecard, performance commitment and standards framework as signed by the manager and the employee at the beginning of the performance period. Performance reviews are built on the regular coaching and monitoring sessions held throughout the performance period. The EMLM policy discourages final reviews which have not been preceded by formal coaching sessions. This is intended to ensure that there are no surprises for everyone.

It is the role of every manager to provide your staff with regular feedback, both good and bad, so the individual should know prior, how the meeting will unfold.

Performance reviews would be held at end of the second and fourth quarters (December and June). Ratings or scores may or may not be applied to mid-year or December performance reviews (except where targets have been achieved and there is supporting evidence to that effect). However, year-end reviews generally are when managers assign a rating or score to each individual employee's performance.



There are three types of progress reviews:

### 11.2 Self review

Employees are encouraged to undertake self assessment prior to the formal performance reviews. An employee's self assessment is a narrative description of accomplishments related to the objectives; KPA's, targets and associated contributing factors identified on the employee's performance scorecard, performance commitment and standards framework.

The employee's self assessment should provide the supervisor with a clear picture of the employee's perception of his or her own performance and contributions. The self assessment is an opportunity for an employee to describe major contributions and how the work meets or exceeds the supervisor's performance expectations.

It is expected that employees would conduct self assessment including rating their performance prior to the final performance review held at the end of the performance period, usually at the end of June each year.

### 11.3 Peer/managerial review

This is a style where employee performance feedback is given by co-workers. Peer reviews can be very effective because an employee will no doubt receive multiple inputs about specific behaviours. Peer reviews can be done in groups or anonymously depending upon the approach that is more appropriate for your company culture. Participants of an employee peer review must be willing to be candid and open about the individual's performance. Peer reviews should never be used as a replacement for the manager giving an employee direct feedback on specific performance issues.

Peer and managerial reviews usually takes the form of a performance review discussion between a staff member, his or her manager and sometimes includes other colleagues. During the discussion, performance against commitments made on the performance plans, performance commitments and standards framework is assessed. A performance review discussion is conducted in order to review performance on a continuous basis to ensure that staff members are able to attain their specific actions or outputs. Specifically, it will allow for:

- Assessment of progress towards the achievements of objectives or key performance areas;
- Feedback regarding performance towards meeting these objectives and required competencies;
- Adjustment of outputs and/or actions due to circumstances which require such changes;



- Identification of problems/barriers making it difficult for staff members or teams to perform effectively;
- Identification of ways in which the manager/staff member can address the barriers or problems;
- Identification of skills gaps, which are hampering performance.

Both parties should also be prepared for performance reviews.

## 11.4 Residents/Community reviews

Section 42 of the MSA, 2000 states that;

*'A municipality, through appropriate mechanisms, processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality's performance management system and, in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality.'*

Legislation compels municipalities to provide a platform for local communities and other stakeholders to assess the extent and level of services delivered in their areas. In fulfilling legislative requirement, the EMLM policy requires departments to involve communities and community structures in the assessment of the Local Municipality's performance. As part of this assessment, EMLM would conduct a resident's survey every two years. In addition, service delivery points would provide residents and communities an opportunity to comment on their level of satisfaction on the quality of serviced rendered.

Guidelines on conducting performance reviews are provided in the Performance Management Procedure Manual.

### 11.5 7.5 Schedule of performance reviews

EMLM policy provides for four formal quarterly performance coaching sessions. Two of these sessions should be the mid-year assessment and final performance review meetings. In both the mid-year and final performance review sessions, employees are expected to bring a portfolio of evidence to demonstrate achievement against agreed KPI's and targets.

The procedure to submit performance evidence is discussed in the Performance Management Procedure Manual.



Table 5: Schedule of coaching and reviews sessions

Quarter	Process	Date
1st (July- September)	Coaching	October
2nd(October-December)	Mid-year review	January
3rd (January- March)	Coaching	April
4th (April- June)	Final review	July

NB: It is advisable that peer/managerial reviews as well as residents/community survey be conducted in the 2010/2011 financial year.

## 12 Final Performance Reviews

### 12.1 Final reviews in performance management

Performance management contains three key elements. In one instance, performance management entails performance which means what a person does or the system. In the second instance performance management involves performance measurement. Performance measurement is about the quantification of what was done. Finally performance management deals with performance evaluation. Performance evaluation is the attainment of a judgement of the value or quality of the quantified performance measurement. For the purpose of maintaining common language in the EMLM PMS, performance evaluations would be regarded as final performance reviews.

Final performance reviews are progress reviews that are held at the end of the performance period. Final reviews determine the overall level of performance of employees/teams during a particular year. Final performance reviews are compulsory discussions between managers and employees aimed at reviewing and rating an employee's performance. They are based on the assessment of achievement against identified objectives, KPA's and targets as contained in the signed performance scorecard, performance commitments and standards framework. Final performance reviews take place on a yearly basis, at the level of the department, division, unit/team, and the level of the individual.

Final performance reviews are about making judgment of the value or quality of performance measures and targets in the business plans and SDBIP's of the municipality and its departments. Final performance reviews offer the municipality an opportunity to assess successes, failures and planning for the new financial year.

Final performance reviews provide a platform to develop PDP's where performance was unsatisfactory and where there is a need to further enhance good performance. Finally





performance reviews provides the basis to recognise excellent performance and support for underperformers.

NB: The performance of the department, division, and unit/team is represented by the performance scorecard, performance commitment or standards framework of the head of the department, division and unit.

Final performance reviews constitutes the fourth phase of the PM cycle.

## 12.2 Departmental and division final performance reviews

EMLM's PMS is predicated on the premise that the head of the department, division and unit is the accounting officer of that department, division or unit and is therefore accountable for the overall management and performance of department, division and unit. It is advisable that the performance excitations of a department, division and unit are captured in the performance scorecard of the head of department, division and unit.

It is important that the business plans, SDBIP's and performance instruments (PA's and scorecards) of the head of the department contain strategic objectives, KPA's and targets and are cascaded down into scorecards of his or her direct reports.

## 12.3 Individual final performance reviews

Conducting final performance reviews of employees is a formal compulsory process in the PM cycle. Final performance reviews must be preceded by formal quarterly coaching sessions that occur throughout the performance year. Final reviews Performance dual performance is a formal and rigorous process, which must be undertaken in accordance with the statutory requirements. Final performance reviews are not a platform to raise new issues or surprise an employee.

## 12.4 Performance rating

Final performance reviews occur once a year and consists of two components:

- Rating the performance scorecard, performance commitment or standards framework
- Rating the competency profile.



**Firstly, the rating of the performance plan, workplans or standards framework will be weighted 80% of the overall performance review. The competency profile will be used primarily for developmental purposes and therefore will only be weighted 20%.**

### 12.5 Section 57 employees

The final performance rating of section 57 employees would be performed by the Executive Mayor assisted by the Performance Management Panel.

#### 12.5.1 Rating of levels 3-14

The final performance rating of personnel below level 2 (3-14 levels) is the responsibility of each manager who has staff reporting to him or her.

The final performance rating and all comments must be agreed to by all parties involved in the final review, and signed off.

#### 12.5.2 Rating scale

The expected performance levels in the EMLM PMS are guided by the point rating scale as outlined in the municipal performance management regulations for sections 57, 2006. The 5-point scale is used to properly take into account the weighting of the two components, as well as the weighting of key performance areas or objectives.

**Table 6: Five point scale**

RATING	MEANING
5	Outstanding performance: Performance far exceeds the standard expected of an employee at this level.
4	Performance significantly above expectations: Performance is significantly higher than the standard expected in the job.
3	Fully effective: Performance fully meets the standards expected in all areas of the job.
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.
<b>1</b>	Unacceptable performance: Performance does not meet the standard expected for the job. 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.

### 12.5.3 What constitutes outstanding performance

The EMLM would developed a performance standards framework to pronounce on desired levels of performance in order to give more practical guidelines to the meaning of the current performance levels. In the meantime, outstanding performance is defined by achieving performance levels exceeding the annual target by **10% or more**.

### 12.5.4 Assigning scores to KPAs and KPIs

- Each KPA must be weighted out of a total 100%.
- Each KPI in every KPA must scored between 1-5 as outlined in the 5-point rating scale
- Scores of each KPI in every KPA must be added together and divided by the number of KPI's.
- The averaged scores should not be rounded-off.

The table below provides an example of scoring KPI's.

Table 7: Scoring of KPI's.

Key Performance Area	KPA Weighting	Key Performance Indicator	Individual Rating (1-5)	Final KPA
<b>1. KPA 1</b>	<b>20%</b>	<b>KPI 1.1</b>	<b>4</b>	<b><math>(4+3+4)/3 = 3.6</math></b>
		<b>KPI 1.2</b>	<b>3</b>	
		<b>KPI 1.3</b>	<b>4</b>	
<b>2. KPA 2</b>	<b>20%</b>	<b>KPI 2.1</b>	<b>3</b>	<b><math>(3+4+2+3)/4=3</math></b>
		<b>KPI 2.2</b>	<b>4</b>	
		<b>KPI 2.3</b>	<b>2</b>	
		<b>KPI 2.4</b>	<b>3</b>	
<b>3. KPA 3</b>	<b>10%</b>	<b>KPI 3.1</b>	<b>3</b>	<b><math>(3+2+4)/3 = 3</math></b>
		<b>KPI 3.2</b>	<b>2</b>	



		KPI 3.3	4	
4. KPA 4	10%	KPI 4.1	4	$(4+4+4)/3 = 4$
		KPI 4.2	4	
		KPI 4.3	4	
5. KPA 5	20%	KPI 5.1	4	$(3+2+4)/3 = 3$
		KPI 5.2		
		KPI 5.3		
6. KPA 6	20%	KPI 5.1	4	$(3+2+4)/3 = 3$
		KPI 5.2		
		KPI 5.3		

### 12.5.5 Rating calculator

Human resources in the Corporate Services department would provide guideline on the calculation of the KPA's and KPI's in order to determine level of performance and eligibility to receive financial rewards by any employee on the PMS of the District municipality.

A rating calculator will be used to average the rating of each KPI in the scorecard. See attached example.

**Table 8: Rating calculator**



Rating calculator									
Municipality: Annual Final Performance Review									
Name:									
Cycle: 1st July to 30 th June									
KRA	Weight	Rating	Score		CMC	Weight	Rating	Score	
1	20%	5	1		1	20%	3	0.6	
2	20%	5	1		2	20%	3	0.6	
3	20%	5	1		3	20%	3	0.6	
4	20%	5	1		4	20%	3	0.6	
5	20%	5	1		5	10%	3	0.3	
6			0		6	10%	3	0.3	
7			0		7			0	
8			0		8			0	
9			0		9			0	
10			0		10			0	
11			0		11			0	
			100%	166.7				100%	100
KPA weight			80%		CCR weight			20%	
<b>KPA SCORE</b>			<b>133%</b>		<b>CCR SCORE</b>			<b>20%</b>	
<b>FINAL SCORE</b>			<b>153%</b>						

### 12.5.6 Bonus ranges

In cases where employees have met and exceeded their expected levels of performance, such employees would be entitled to a performance bonus of between 5%-14%.

Table 9: Performance levels and bonus ranges



POINTS	RATING	BONUS AMOUNT AS % OF CTC (TOTAL ANNUAL GUARANTEED PACKAGE)
>150%	5	10%-14%
130%-149%	4	5%-9%
100%-129%	3	1%-4%
<99%	1-2	0%

### 13 Capacity Building and Establishment of Institutional Arrangements

The success of the implementation of the performance management system will rest on the capacity of all internal and external stakeholders involved to fulfil their various roles.

Some level of customized training and education programmes will be needed as well as support throughout implementation. Additional capacity may also be required for activities such as:

- Collating, documenting and managing a database of performance information, plans reviews and reports
- Undertaking measurements on indicators
- Analysis of measurements at corporate level
- Compiling annual reports
- Reviewing the performance management process and suggesting improvements
- Designing, developing and project managing the performance management system
- Training and support during implementation
- Evaluation of the system

If capacity allows, some or all these activities should be undertaken internally. External service providers will only be contracted where specialist skills are needed and in cases where:

- there is no capacity to fulfil the function;
- the capacity cannot be built within the required timeframes;
- the effectiveness of the function will be compromised; and
- There are resources available to buy the service required.

### 14 CONCLUSION

The proposed performance management framework is aimed at guiding Council in the development of a performance management system which will contribute to improving the municipal; performance and enhance service delivery. The framework is drafted to provide details which 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 goes further to outline how Council proposes to reward and deal with poor performance. The process of implementing a performance management system must be seen as a learning process, where we are continuously improving the way the system works to fulfil the objectives of the system and address the emerging challenges



## 2 Annexure

Annexure A: A description of some types of indicators that the municipality needs to have an understanding of.

INDICATOR	DESCRIPTION AND EXAMPLE
<b>Input Indicators</b>	<ul style="list-style-type: none"> <li>☑ Used to measure the economy and efficiency of resource utilization</li> <li><u>Example of an economy indicator:</u> the unit cost for delivering water to a single household</li> <li><u>Example of efficiency indicator:</u> the amount of time, money and people it took to do so</li> </ul>
<b>Output Indicators</b>	<ul style="list-style-type: none"> <li>☑ Used to measure whether activities or processes were effective in yielding the desired product</li> <li>☑ Typically quantitative in nature, e.g. percentage households connected to electricity as a result of the municipality's electrification programme</li> </ul>
<b>Outcome Indicators</b>	<ul style="list-style-type: none"> <li>☑ Are essentially quality and impact indicators in terms of the achievement of overall objectives</li> <li><u>Example of quality:</u> standard of service delivered relative to expectations and perceptions</li> <li><u>Example of impact:</u> net effect of service delivered on objective (percent reduction in burnt homes as a result of electrification)</li> </ul>
<b>Process Indicators</b>	<ul style="list-style-type: none"> <li>☑ Comprise sets of different indicators (cost, input, process, output and outcome)</li> <li>☑ Relate to ingredients, products and effects of organizational processes</li> </ul>
<b>Composite Indicators</b>	<ul style="list-style-type: none"> <li>☑ Used to simplify long lists of outcome indicators and the complex relationship between them into fewer composite indices, which are easier to manage and communicate.</li> <li>☑ Are however more difficult to develop, understand and monitor.</li> <li>☑ May lead to certain specific problem being hidden or overlooked.</li> </ul>
<b>Baseline Indicators</b>	<ul style="list-style-type: none"> <li>☑ Show the status quo or current situation, e.g. the level of poverty.</li> <li>☑ Are typically used in the planning phase to indicate current challenges facing the municipality.</li> </ul>