



Mogale City

*Local Municipality*

*City of Human Origins*

**ANNEXURE D:  
DRAFT INTEGRATED  
PERFORMANCE  
MANAGEMENT  
FRAMEWORK AND  
POLICY**

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## Preamble

The White Paper on Local Government (1998) proposed the introduction of Performance Management Systems (PMS) for local government as a tool to monitor the progress of service delivery at local government level. Two years later, in 2000, the Municipal Systems Act of 2000, required local governments to develop a PMS. It concluded that Integrated Development Planning, Budgeting and Performance Management are powerful aspects that can help municipalities to develop an integrated perspective on development in their area. It is against this background that this policy document for developing and implementing a PMS for the Mogale City Local Municipality should be viewed. The purpose of this policy document is to (within the legal framework of the Municipal Systems Act) develop a performance management framework for Mogale City Local Municipality.

The policy framework offers the Mogale City Local Municipality a platform to implement, assess, monitor, measure, review, manage and reward performance throughout the Municipality. PMS is dynamic and will change and develop over time to reflect the unique features of the Mogale City Local Municipality environment. This policy framework commits Mogale City Local Municipality to achieving its stated objectives and levels of performance.

## 1. Introduction

South Africa continues to endure the legacy for underdevelopment, poverty, infrastructure backlogs and inequitable access to basic services. In response to these, the government is putting in place various mechanisms and measures to turn the situation around. In the local government context, a comprehensive and elaborate system of monitoring performance of municipalities has been legislated. The system is intended to monitor continuously the performance of municipalities in fulfilling their mandates. Central to the system is the development of key performance indicators as instruments to assess performance. The indicators help to translate complex socio-economic development problems into quantifiable and measurable output. They are, therefore, crucial if a proper assessment is to be done of the impact of government in improving the “quality of life for all.”

In this regard, the Municipal Planning and Performance Management Regulations (2001) stipulate that a “municipality’s performance management system entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players” (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

The implementation of a performance management framework will allow the Municipality to collect, process, organise, analyse, audit, reflect and report on performance information. It will also allow the Municipality to take practical steps to improve its performance. This framework constitutes the performance system of the Municipality, together with the KPIs and performance targets in the service delivery and budget implementation plan. It also includes performance agreements of senior managers, regular reporting through monthly budget statements to the Executive Mayor and quality reports to Council, and periodic reviews to improve the system.

## **2. Legislative and Policy Framework**

As outlined in Section 40 of the Municipal Systems Act of 2000, Mogale City Municipality must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP Review process the Key Performance Areas, Key Performance Indicators and Performance Targets are reviewed and this review will form the basis for the review of the municipal PMS and Performance Contracts of Senior Managers.

The Performance Management System (PMS) is informed by the following legislation and policy:

- The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).
- The White Paper on Transforming Public Service Delivery (Batho-Pele) (1997).
- The White Paper on Local Government (1998).
- The Municipal Systems Act, 2000 (Act 32 of 2000)
- DPLG Performance Management Guidelines 2001
- Municipal Planning and Performance Management Regulations (2001).
- Municipal Finance Management Act, 2003 (Act 56 of 2003)
- Municipal Performance Regulation for Section 57 Employee (2006)

Other legislation that impacts on and relates to performance management include:

- Labour Relations Act (Act No. 66 of 1995) : Code of Good Practice
- Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
- Employment Equity Act, 1998 (Act No. 55 of 1998)
- The Skills Development Amendment Act (Act 31 of 2003)
- Promotion of Access to Information Act (Act 2 of 2000)

### **2.1 The Constitution of the Republic of South Africa, Act 108 of 1996**

Chapter 7 which deals with Local Government provides for the establishment of the local sphere of government. The Constitution established a complete new operational framework for Municipalities. There is increased pressure on the fiscal resources of Municipalities with new goals such as the promotion of social and economic development and equity; the promotion of a safe and healthy

environment and the encouragement of local community participation in the formulation of policies, programmes and budgets.

**Section 152(1)** of the Constitution sets out the goals and objectives of local government:

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to local communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations' in the matters of local government.

## **2.2 The Batho-Pele White Paper, 1998**

An important perspective in the management of the performance of a Municipality is its relationship with its customers, namely, local citizens and partners. The Batho-Pele White Paper (1998) provides an approach to building a culture and practice of customer service that is responsive to the needs of citizens and business as consumers and end-users of municipal services. For this to happen, even within the context of limited resources at the disposal of municipalities, everyone in the public service, needs to do so with a high degree of commitment and a sense of duty, through living the Batho-Pele principles and the new belief set of **"We belong, We care, We serve"**

Eight Batho-Pele principles were developed to serve as the acceptable policy and legislative framework of service delivery in the public service. These principles are aligned with the Constitutional ideals of:

- Promoting and maintaining high standards of professional ethics;
- Providing service impartially, fairly, equitably and without bias;
- Utilising resources efficiently and effectively;
- Responding to people's needs (citizens are encouraged to participate in policy-making); and
- Rendering an accountable, transparent, and development-oriented public administration.

## **2.3 The White Paper on Local Government, 1998**

The White Paper on Local Government provides for the development of a coherent planning framework for Integrated Development Planning that informs the effective design and

implementation of the Performance Management system on both organisational and individual level, which will:

- Enable planning around the needs prioritised in consultation with community groups;
- Facilitate vertical integration with the national and provincial policies and programmes, and;
- Gear municipal resources and capacity to meet the objectives identified in the IDPs.

In order to support the integrated development planning the **White Paper** advocated the development of a performance management system with the aim to:

- Enable realistic planning;
- Allow municipalities to assess the impact of their administrative reorganisation processes and development strategies, and;
- Enhance local government accountability.

## **2.4 The Municipal Systems Act 32 of 2000**

The Systems Act determines specifically that individual Municipalities should develop their own performance management systems in the interest of efficient and effective management. This is achieved through planning targets and the achievement and maintenance of quality and accountability in the delivery of projects and services to the communities within the Municipality. The following is required of municipalities in terms of the Act:

### **Section 38**

- Establish a PMS that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives and targets in the IDP.
- Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration.

### **Section 41**

- Set appropriate key performance measures (indicators) as a yardstick for measuring performance with regard to the development priorities and objectives in the IDP.
- Set measurable performance targets for each of those development priorities and objectives.
- Monitor performance.
- Measure and evaluate performance at least once per year.
- Take steps to improve performance.

- Establish a process of regular reporting to Council, other political structures, political office bearers and staff of the Municipality; and of the public and appropriate organs of state.

#### **Section 42**

Involve the local community in the development, implementation and review of the Municipality's PMS, and, in particular, allow the community to participate in the setting of appropriate measures and targets

#### **Section 44**

Make known, both internal and to the general public, the performance measures and targets set by it for the purposes of its PMS.

#### **Section 45**

Audit the results of the performance measurement as part of internal auditing processes and annually by the Auditor General.

#### **Section 46**

Publish an annual performance report reflecting the performance of the Municipality and of each external service provider; a comparison of the performances with targets; and measures taken to improve performance.

### **2.5 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 prepared the Performance Management Guidelines for Municipalities (2001) to assist municipalities in this. This framework is informed by the aforementioned guidelines.

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

The Municipal Planning and Performance Management Regulations deal in more detail with the following aspects of the PMS in regulations 7 to 15: The performance framework that describes and represents how the Municipality's cycle and processes of performance planning, monitoring,

measurement, evaluation, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

- The setting of performance measures (indicators) and the involvement of communities in this.
- The general key performance indicators.
- The annual review of measures as part of the performance review process.
- The setting of performance targets for each of the measures.
- The monitoring, measurement and evaluation of performance.
- Internal auditing of performance measurements.
- Community participation in respect of performance management.

## **2.7 Municipal Finance Management Act, 2003**

The Municipal Finance Management Act links financial management, performance management and the IDP in no uncertain terms, e.g. –

### **Section 17**

An annual budget, when it is tabled in Council for approval, must be accompanied by measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the Municipality's IDP.

### **Section 24**

An annual budget must be approved together with the adoption of resolutions approving abovementioned performance objectives.

### **Section 53**

The Municipality's service delivery and budget implementation plan (SDBIP) must include service delivery targets and performance measures for each quarter. The annual performance agreements must be linked to the measurable performance objectives approved with the budget and to the SDBIP.

### **Section 72**

There must be a mid-year budget and performance assessment in January of each year.

## **2.8 Performance Management Regulation for Municipal Managers and Section 57 Managers, 2006**

The Municipal Performance Management Regulation for Section 57, seek to provide a uniform framework that can be applied by local, district and metropolitan municipalities whilst recognising their unique conditions.

- These regulations seek to provide for practical mechanisms and enablers in implementation, monitoring and evaluation of service delivery and development.
- In view of the need to on the one hand, attract and retain skilled managers in municipalities and on the other hand the need to provide clarity on remuneration and conditions of employment, the regulations set specific principles in this regard.
- The determination of remuneration should be competency-based, market related and appropriate to local conditions.
- The recognition of outstanding performance remains an important part of performance management. However, it is proposed that bonuses be awarded on a sliding scale ranging from 5% to a maximum of 14%.

## **2.9 Labour Relations Act, No. 66 of 1995**

In addition, The Labour Relations Act (LRA), of 1995, through the *Code of Good Practice: Dismissal* provides guidelines on the management of poor performance. These provisions in the *LRA* are of significance in that they preceded the other pieces of legislation on Local Government and provide a legal basis for the implementation of performance management.

## **2.10 Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)**

This Act links to performance management in that the purpose of this Act is, among other things, 'to give effect to and regulate the right to fair labour practices conferred by section 23 (1) of the Constitution – as stipulated in Section 2 (a). It also provides for the enforcement of basic conditions of employment for employees on contracts. The Act further makes provisions regarding incapacity and rights of employees.

### **2.11 Employment Equity Act, 1998 (Act No. 55 of 1998)**

It is required by Chapter Two, Section 5 that the ‘... employer must take steps to promote opportunity in the workplace by eliminating unfair discrimination in any employment policy or practice’. In defining ‘employment policy or practice’ the Act indicates in Chapter One (1) (h) that this includes any ‘performance evaluation system’.

### **2.12 The Skills Development Amendment Act (Act 31 of 2003)**

This Act refers to the need to budget for at least one per cent of the payroll for the training and education of employees, with effect from 1 April 2000. This training and development links to the requirement of performance management for individual development plans.

### **2.13 Promotion of Access to Information Act (Act 2 of 2000)**

This Act seeks to foster a culture of transparency and accountability in public and private bodies by giving effect to the right of access to information, including access to performance information.

### **3. Objectives of Performance Management System**

Municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to gauge the progress made in achieving the objectives as set out in the IDP. The PMS process plan includes the following objectives that the system should in addition fulfil:

#### **3.1 Facilitate increased accountability**

The performance management system should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team.

#### **3.2 Facilitate learning and improvement**

The PMS should facilitate learning in order to enable the Municipality to improve delivery.

#### **3.3 Provide early warning signals**

It is important that the system ensure decision-makers are timeously informed of performance related risks, so that they can facilitate intervention, if necessary.

#### **3.4 Facilitate decision-making**

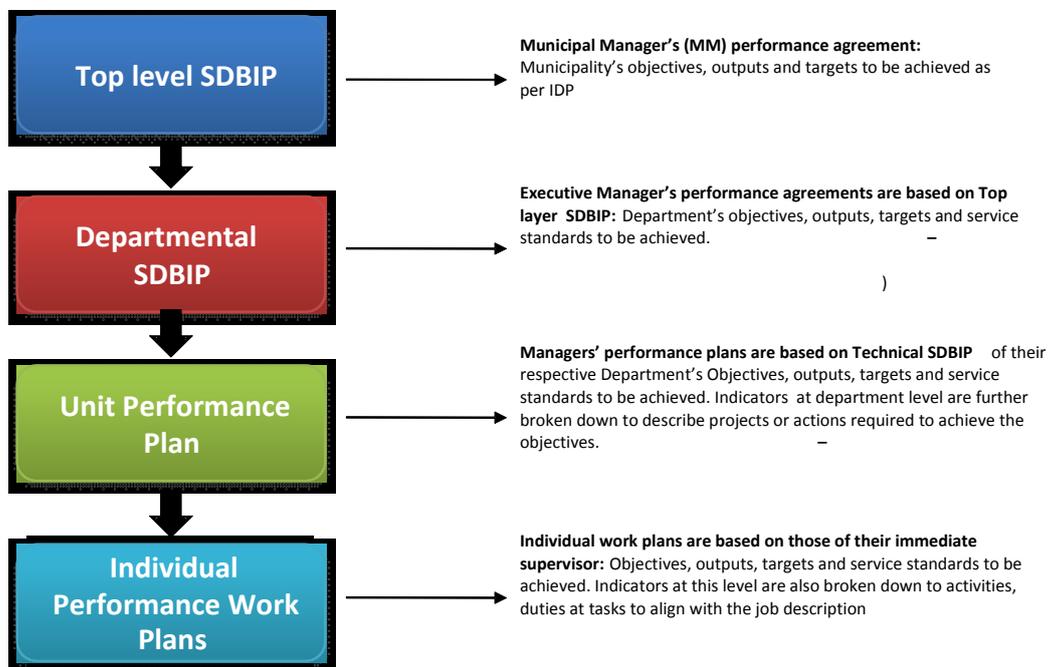
The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources

The functions listed above are not exhaustive, but summarise the intended benefits of the system.

#### 4. Municipal Scorecards

Section 57 Employees annually enter into Performance Agreements with the municipality. The Municipal Manager signs the agreement with the Executive Mayor, while the rest of the section 57 employees sign agreements with the municipal manager. The Performance Agreements are based on the municipality's Top-Layer SDBIP and the Technical Service Delivery and Budget Implementation Plans. Based on the technical SDBIP, Executive Managers may also enter into Performance Agreements with their respective managers.

A performance appraisal system of Executive Managers and managers must be outlined in the agreement and must provide for quarterly and annual performance appraisal. The vertical cascade linkage is a downward cascading which links various Municipal process outputs with those of individuals in planning, monitoring progress and evaluation. According to the strategic and operational levels, the initial parts of the strategic component refer more to the organisation while the lower parts of the operational levels are largely for the individuals. The diagram below helps to clarify the cascading linkages

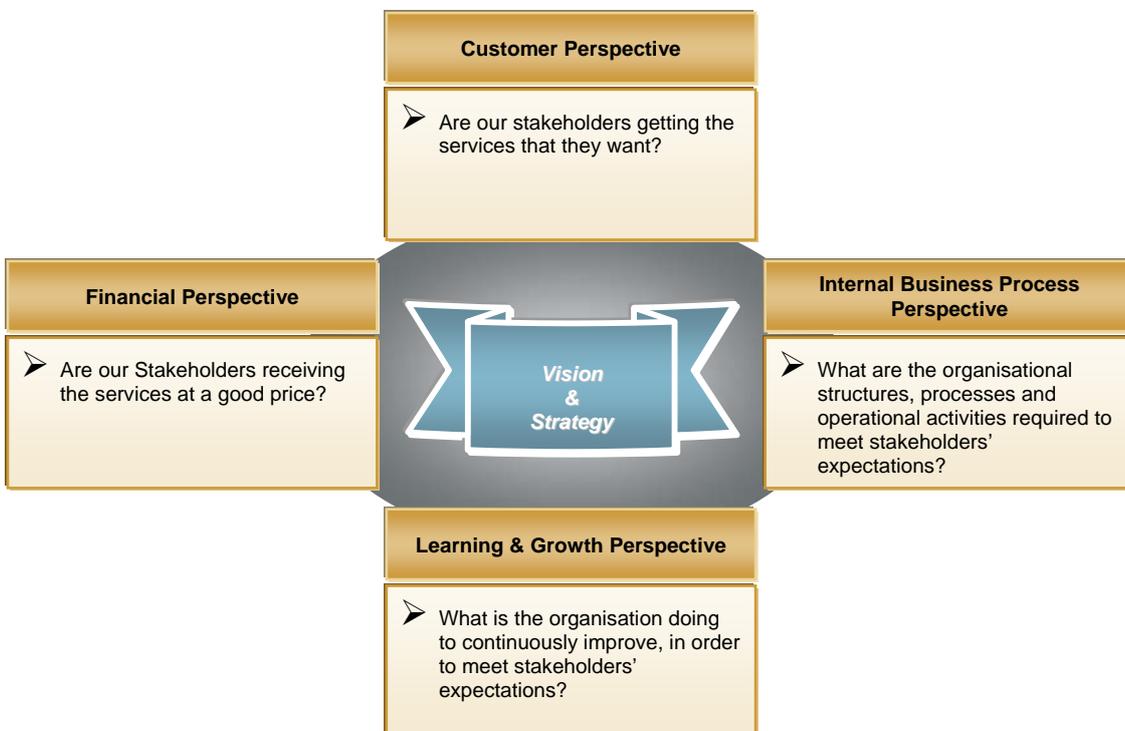


## 5. The Performance Management Model

### 5.1 Model

A performance management model can be defined as the grouping together of performance indicators, sometimes based on the type of indicator, into logical categories or groups (often called perspectives), as a means to enhance the ability of an organisation to manage and analyse its performance. As such a model provides a common framework for what aspects of performance is going to be measured and managed. It further ensures that a balanced set of measures are employed that are not relying on only one facet of performance and therefore not presenting a holistic assessment of the performance of an organisation.

A performance management model is a choice about what aspects or dimensions of performance will be measured. Different models give different pictures of performance by emphasising different aspects to measure. A number of performance models are available and any of them could be applied by the Municipality. However the Balanced Scorecard model through SALGA HRD Conference of 2004 resolution was adopted for implementation in municipalities, which advocates the following four perspectives as depicted in the picture below.



#### Customer perspective

The following are key question that must be posed by a municipality to assist it to develop measures for this perspective:

- **Access:** Is it easy for your stakeholders to access your services and products.
- **Timelines:** Do your stakeholder save time as a result of the service and the manner in which it is provided?
- **Selection:** Are your service offerings meeting the expectation of your stakeholders?
- **Efficiency:** Can transaction involving stakeholders be completed easily and accurately at one place?

### **Internal business process perspective**

The following are core processes that a municipality should consider when developing measures for this perspective:

- **Quality:** The focus here is on providing quality services and products as well as continuous improving on quality.
- **Innovation:** Business processes need to change continuously in order to respond to changes in its stakeholders, environment and employees.
- **Partnering:** Forming partnerships with other organisations and organisations that excel in certain business process.

### **Learning and growth perspective**

The following are critical measurements areas for this perspective:

- **Human Capital:** It is important for organisations to determine the skills they require and determine skills gaps in order to provide appropriate interventions such as training. Municipalities have to develop comprehensive retention strategies to be able to recruit suitable skills as well as retain them.
- **Information Technology:** IT is critical organisation infrastructure that municipalities spend a lot of money on. It is important that investment in IT improves the ability of municipalities to serve its stakeholders and benefit stakeholders.
- **Organisational Climate:** It is important that organisations create conducive environment for them to meet their mission and objectives. Staff satisfaction is critical to improved organisational performance and meeting stakeholders' needs. Communicating with employees on organisational goals, their role and the organisation's expectations of them.

### **Financial perspective**

Following factors must be considered when developing measures for the financial perspective:

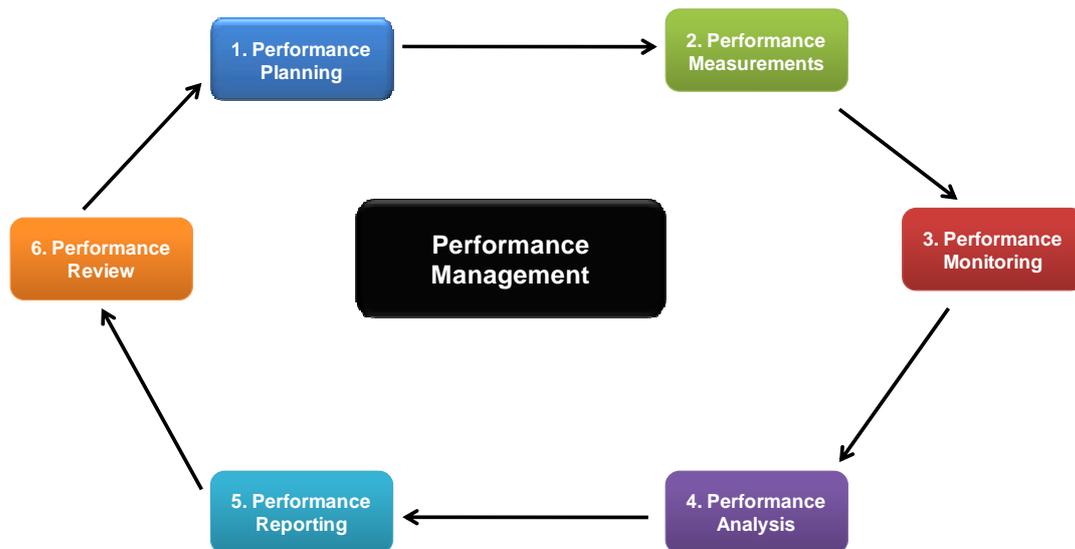
- **Cost of Product or Service Delivery:** Determining the cost of delivering a product or service will also with improving on delivery on the service in a more cost effective manner.
- **Revenue Enhancement:** It should be the responsibility of all managers in municipalities to seek ways of improving revenue and diversifying on funding.
- **Financial Systems:** Sound financial systems to produce relevant, reliable and timely financial information are critical to decision-making and financial management.
- **Prudent Financial Management:** Managers and other employees managing budgets must ensure that money in budgets is only spent to achieve set objectives and the workforce is encouraged to be cost efficient and effective.

## 5.2 Framework

The Municipality must develop, as part of the performance management system (PMS), a framework which will deal with the “how” to work with performance information. A performance management framework is the way the Municipality collects, presents and uses its performance information. It is a practical plan, made up of mechanisms and processes, for the Municipality to collect, process, arrange and classify, examine and evaluate, audit, reflect on and report performance information. These mechanisms and processes work in a cycle which must be linked to the Municipality’s normal planning (IDP and otherwise) and the annual budgeting cycle.

### 5.2.1 Components of Performance Management Framework

The annual process of managing performance at organisational level in the Municipality involves the steps as set out in the diagram below:



### 5.2.1.1 Clarifying roles and responsibilities of stakeholders and role-players

It is important to understand the duties, roles and responsibilities of the different stakeholders and role-players in the various processes that together constitute the framework of the PMS. It is important that the accountabilities and relationships and priorities of the various stakeholders are set to ensure that there is a complete understanding of the participation, consultation and involvement of all stakeholders for maximum inputs into, and success of the PMS. The PMS is a component of Municipal governance and management systems that is aimed at ensuring that the performance of the Municipality is developmental, while complementing the planning and budgeting processes as an integral part of organisational and individual management. It involves a wide variety of stakeholders, all of whom play a vital and integral part in the overall success of the PMS. There are a variety of tasks that have been identified as being an integral part of the PMS. The schedule hereunder sets out the tasks, which should not be seen as a chronological sequence of occurrences and events. The tasks, together with the appropriate stakeholders/role-players (with their roles and responsibilities), are the following:

<b>Task</b>	<b>Stakeholders / Role-Players</b>	<b>Roles and Responsibilities</b>
Developing and sanctioning the PMS process	Mayoral Committee	Ratify and adopt the PMS
Developing measures	Officials	Provide the IDP documentation and (when appropriate) the PMS documentation of the previous reporting period
		Provide inputs into the process with reference to the available resources within their respective departments
		Document the measures
		Provide the schedule of measures to relevant stakeholders.
	Councillors	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities
		Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations
Local community and public	Provide inputs into the process with reference to their specific needs and requirements	
Setting targets	Officials	Provide inputs into the process with reference to the available resources within their respective departments
		Document the targets
		Provide and publicise the schedule of targets to the relevant stakeholders
	Councillors	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities
		Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations
	Local community and public	Provide inputs into the process with reference to their specific needs and requirements
Linking measures and targets to performance commitments of staff	Municipal Manager	Prepare performance agreements with agreed and approved measures and targets
		Ensure that the measures and targets in the performance agreements of senior managers are linked with his/her agreement
		Ensure that all performance agreements are publicised
		Provide inputs into their performance agreements
		Ensure that the measures and targets of their departments and subordinates are linked with their agreements
	Mayoral Committee	Ratify and adopt the performance agreements
	Executive Mayor	Monitor and evaluate (according to agreed schedule) the measures and targets of the Municipal Manager
	Municipal Manager	Monitor and evaluate (according to agreed schedule) the measures and targets of senior Managers
Ensure that the results are documented and publicised to the relevant stakeholders		

<b>Task</b>	<b>Stakeholders / Role-Players</b>	<b>Roles and Responsibilities</b>
Information collection, processing and analysis	Councillors	Provide inputs into the process with reference to the contribution and participation of their constituents and the communities
		Engage with the council officials to ensure all information made available
		Examination, scrutiny and critical analysis of measures, targets, outputs and outcomes
	Officials	Collect process and provide the relevant and appropriate information from their respective departments.
	Local community and public	Provide inputs into the process with reference to their specific needs and requirements
Auditing of information	PMS Manager	Collect and process relevant and appropriate information from departments
		Examination, scrutiny and critical analysis of information from departments.
	Performance Audit Committee	Examination, scrutiny and critical analysis and audit of information from departments.
	Auditor General	Collect, process and provide the relevant and appropriate information from the Municipality
Examination, scrutiny and critical analysis of information from the Municipality		
Audit Reporting	Internal Auditor	Provide an independent audit report to the Audit Committee
	Performance Audit Committee	Provide an independent audit report to the Municipal Manager and the Mayoral Committee.
Reporting to National and Provincial Government and the Auditor General	Municipal Manager	Provide approved relevant and appropriate information and reports
Reporting to communities	Municipal Manager	Ensure that the results are documented and publicised to the relevant stakeholders
Review of performance management and setting of new measures and targets	Officials	Provide inputs into the process with reference to the available resources within their respective departments.
		Document the measures and targets
		Provide and publicise the schedule of revised measures and targets to relevant stakeholders.
	Councillors	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities.
		Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations in the light of the revised measures and targets
	Local community and public	Provide inputs into the process with reference to their specific needs and requirements in the light of the revised measures and targets.

### 5.2.1.2 Setting measures and targets

The setting of measures and targets happens during the IDP process and is linked to the strategic objectives of the IDP. Performance measures and targets are used to show how the Municipality is performing on its objectives. This stage comprises setting measures and targets, and then gathering data and information on these measures to assess the progress of the Municipality. Performance measurement allows Municipalities to compare their actual performance to their intended performance, and against nationally defined minimum standards. It will also, in time, allow for the comparison of their performance against that of other Municipalities.

### Incorporating the General Key Performance Indicators

The following general key performance indicators are prescribed in Section 10 of the Municipal Planning and Performance Management Regulations, 2001 and must be reported on annually:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- The percentage of households earning less than R1100 per month with access to free basic services;
- The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
- The number of jobs created through municipality's local economic development initiatives including capital projects;
- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
- Financial viability as expressed by ratios that measure debt coverage, outstanding service debtors to revenue, and cost coverage

### 5.2.1.3 Performance planning

The performance of the Municipality is to be managed in terms of its IDP and the process of compiling an IDP and the annual review thereof constitutes the process of planning for performance. It should be noted that the last component of the cycle is that of performance review and the

outcome of such a review process must inform the next cycle of IDP compilation/review by focusing the planning processes on those areas in which the Municipality has underperformed.

#### **5.2.1.4 Performance measurement**

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator. The setting of measures and targets happens during the IDP process and is linked to the strategic objectives of the IDP. To ensure the integrity of the targets set, baseline information based on backlog and current performance should be used as the basis for setting sound measures and targets. Performance measurement allows the Municipality to compare their actual performance in relation to backlog and current performance.

#### **5.2.1.5 Performance monitoring**

Performance monitoring is an ongoing process by which a Manager accountable for a specific indicator as set out in the organisational scorecard (and a service delivery target contained in a SDBIP) continuously monitors current performance against targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due.

#### **5.2.1.6 Performance analysis**

Performance analysis involves the process of making sense of measurements. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met performance analysis requires that the reasons therefore should be examined and corrective action recommended. Where targets have been met or exceeded, the key factors that resulted in such success should be documented and shared so as to ensure organisational learning.

The analysis of the organisational and SDBIP scorecards by executive management should also ensure that quality performance reports are submitted to the Mayoral Committee and that adequate response strategies are proposed in cases of poor performance. Only once executive management

has considered the scorecards, agreed to the analyses undertaken and captured therein and have reached consensus on the corrective action as proposed, can the organisational and SDBIP scorecards be submitted to the Mayoral Committee for consideration and review.

#### **5.2.1.7 Performance review and improvement**

In order to ensure that the PMS is useful and effective, it is important for regularly reviews in terms of all its users. This is also required by the Municipal Systems Act. It is proposed that after the full cycle of the annual review is complete, the executive management will initiate a review report, taking into account the input provided by departments. This report will then be submitted to the Mayoral Committee for discussion and approval.

#### **5.2.1.8 Performance reporting**

##### **5.2.1.8.1 In-year performance reporting and review**

The submission of the performance reports on scorecards to the Mayoral Committee for consideration and review of the performance of the Municipality as a whole is the next step in the process. The first such report is a major milestone in the implementation of any PMS and it marks the beginning of what should become a regular event namely using the performance report as a tool to review the Municipality's performance and to make important political and management decisions on how to improve.

As indicated earlier it is recommended that the performance report on organisational and SDBIP scorecards be submitted to the Mayoral Committee for consideration and review on a quarterly basis. The reporting should therefore take place in October (for the period July to end of September - quarter 1 of the financial year), January (for the period October to the end of December - quarter 2), April (for the period January to the end of March - quarter 3) and July (for the period April to the end of June - quarter 4).

The review in January will coincide with the mid-year performance assessment as per section 72 of the MFMA. The said section determines that the accounting officer must by 25 January of each year assess the performance of the municipality and report to the Council on inter alia its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set out in its SDBIP.

The Mayoral Committee in reviewing the performance report on organisational and departmental scorecards submitted to it will have to ensure that targets committed to in the scorecard have been met, where they have not, that satisfactory and sufficient reasons have been provided by executive management and that the corrective action being proposed is sufficient to address the reasons for poor performance. If satisfied with the corrective action as proposed these must to be adopted as formal resolutions of Council, minuted and actioned accordingly.

#### **5.2.1.8.2 Annual performance reporting and review**

On an annual basis a comprehensive report on the performance of the Municipality also needs to be compiled. The requirements for the compilation, consideration and review of such an annual report are set out in chapter 12 of the MFMA. In summary it requires that:

- All municipalities for each financial year compile an annual report
- The annual report be tabled within seven months after the end of the financial year
- The annual report immediately after it has been tabled be made public and that the local community be invited to submit representations thereon
- The municipal Council consider the annual report within nine months after the end of the financial year and adopt an oversight report containing the council's comments on the annual report
- The oversight report as adopted be made public
- The annual report as tabled and the Council's oversight report be forwarded to the Auditor-General, the Provincial Treasury and the department responsible for local government in the Province
- The annual report as tabled and the Council's oversight report are submitted to the Provincial legislature.

The oversight report to be adopted provides the opportunity for full Council to review the performance of the Municipality. The requirement that the annual report once tabled and the oversight report be made public similarly provides the mechanism for the general public to review the performance of the Municipality. It is however proposed that in an effort to assist the public in the process and subject to the availability of funding, a user-friendly citizens' report be produced in addition to the annual report for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the annual report for public consumption.

It is also proposed that annually a public campaign be embarked upon to involve the citizens of the Municipality in the review of municipal performance over and above the legal requirements of the Municipal Systems Act and the MFMA. Such a campaign could involve all or any combination of the following methodologies:

- Various forms of media including radio, newspapers and billboards should be used to convey the annual report.
- The public should be invited to submit comments on the annual report via telephone, fax and email.
- Public hearings could be held in a variety of locations to obtain input of the annual report.
- Making use of existing structures such as ward and/or development committees to disseminate the annual report and invite comments.
- Hosting a number of public meetings and road-shows at which the annual report could be discussed and input invited.

The following table derived from the legislative framework for performance management and summarises for ease of reference and understanding the various performance reporting as it applies to the Municipality:

Report Type	Description
Quarterly IDP and SDBIP reporting	<p>The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. It determines the performance agreements for the municipal manager and all top managers, whose performance can then be monitored through Section 71 monthly reports, and evaluated through the annual report process.</p> <p>The SDBIP information on revenue will be monitored and reported monthly by the municipal manager in terms of Section 71(1)(a) and (e). <i>For example, if there is lower than anticipated revenue and an overall cash shortage in a particular month the municipality may have to revise its spending downwards to ensure that it does not borrow more than anticipated.</i> More importantly, such information requires the municipality to take urgent remedial steps to ensure it improves on its revenue collection capacity if the municipality wants to maintain its levels of service delivery and expenditure.</p> <p>Section 1 of the MFMA, Act 56 of 2003 states that the SDBIP as a detailed plan approved by the mayor of a municipality in terms of service delivery should make projections for each month of the revenue to be collected, by source, as well as the operational and capital expenditure, by vote. The service delivery targets and performance indicators need to be reported on quarterly (MFMA, 2003).</p>

Report Type	Description
Mid-year budget and National and Provincial report	Section 72 of the MFMA requires the accounting officer to prepare and submit a report on the performance of the municipality during the first half of the financial year. The report must be submitted to the mayor, National Treasury as well as the relevant Provincial Treasury. As with all other reports this is a crucial report for the Council to consider mid-year performance and what adjustments should be made, if necessary
Performance report	<p>Section 46 of the Municipal Systems Act states that a municipality must prepare for each financial year, a performance report that reflects the following:</p> <ul style="list-style-type: none"> <li>• The performance of the municipality and of each external service provided during that financial year;</li> <li>• A comparison of the performances referred to in the above paragraph with targets set for and performances in the previous financial year; and</li> <li>• Measures to be taken to improve on the performance</li> </ul> <p>The performance report must be submitted at the end of the financial year and will be made public as part of the annual report in terms of chapter 12 of the MFMA. The publication thereof will also afford the public the opportunity to judge the performance of the municipality against the targets set in the various planning instruments.</p>
Annual report	<p>Every municipality are required by Section 121 to prepare an annual report for each financial year, which must include:</p> <ul style="list-style-type: none"> <li>• the annual financial statements of the municipality or municipal entity as submitted to the Auditor-General for audit (and, if applicable, consolidated annual financial statements);</li> <li>• the Auditor-General's audit report on the financial statements;</li> <li>• an assessment by the accounting officer of any arrears on municipal taxes and service charges;</li> <li>• particulars of any corrective action taken or to be taken in response to issues raised in the audit reports;</li> <li>• any explanations that may be necessary to clarify issues in connection with the financial statements;</li> <li>• any information as determined by the municipality,</li> <li>• any recommendations of the municipality's performance audit committee,</li> <li>• an assessment by the accounting officer of the municipality's performance against the measurable performance objectives for revenue collection and for each vote in the municipality's approved budget for the relevant financial year;</li> <li>• the annual performance report prepared by a municipality; and</li> <li>• any other information as may be prescribed.</li> </ul>
Oversight report	<p>The council of a municipality must consider the municipality's annual report (and that of any municipal entity under the municipality's control), and in terms of Section 129, within two months from the date of tabling of the annual report, must adopt an oversight report containing the council's comments, which must include a statement whether the council:</p> <ul style="list-style-type: none"> <li>• has approved the annual report with or without reservations;</li> </ul>

Report Type	Description
	<ul style="list-style-type: none"> <li>• has rejected the annual report; or</li> <li>• has referred the annual report back for revision of those components that can be revised</li> </ul> <p>In terms of Section 132, the following documents must be submitted by the accounting officer to the provincial legislature within seven days after the municipal council has adopted the relevant oversight report:</p> <ul style="list-style-type: none"> <li>• the annual report (or any components thereof) of each municipality and each municipal entity in the province; and</li> <li>• all oversight reports adopted on those annual reports. It is important to note that the oversight committee working with these reports should be chaired by the opposition party.</li> </ul>

## **6. Performance Management Cycle**

### **6.1 Organisational Level**

The organisational performance management system can be defined as the planning process whereby the organisation set the strategic agenda, vision and mission, as well as strategic objectives for the upcoming financial year/s, and the desired performance results. Performance management at organisational level involves the following stages:

#### **6.1.1 Planning**

The Integrated Development Planning (IDP) process and the Performance Management Process should appear to be seamlessly integrated. The IDP fulfils the planning stage of performance management. Performance management fulfils the implementation management, monitoring and evaluation of the IDP process.

#### **6.1.2 Priority setting**

In setting priorities municipality should consider the following:

- An assessment of development in the municipal area, identifying development challenges, marginalised and vulnerable citizens and communities
- A long term development vision for the municipal area that overcomes its development challenges
- A set of delivery priorities and objectives, based on identified needs, achievable in the current term of office, that would contribute significantly to the achievement of the development vision for the area
- A set of internal transformation strategies, priorities and objectives, whose achievement would enable the delivery and the realisation of the development vision
- Additional projects identified in contributing to the achievement of the above objectives
- A financial plan and medium term income and expenditure framework that is aligned to the priorities of the municipality
- A spatial development framework

To be useful in the management of performance, the IDP must provide very clear objectives, indicators by which to measure the achievement of the objectives and unambiguous targets for those indicators.

### **6.1.3 Setting objectives**

All components of the integrated development plan whether they are strategies or priority areas, need to be translated into a set of clear and tangible objectives. This is a crucial stage in ensuring that there is clarity on the IDP and that suitable indicators are found. A clear and concise construction of statement of objectives is needed. The statement requires a tangible, measurable and unambiguous commitment to be made. It is often useful to have a clear timeframe attached to this commitment in your objective statement.

### **6.1.4 Setting key performance Indicators**

KPIs are measurements that tell us whether progress is being made in achieving our goals. Indicators should describe performance dimension considered key in measuring performance. The ethos of performance management as implemented in local governments and captured in the Municipal Systems Act and Municipal Planning and Performance Management Regulation rely centrally on the use of Key Performance Indicators.

### **6.1.5 Setting targets**

The municipality should have clear objectives for its IDP and identified appropriate indicators. Targets are purely goals or milestones for what we intend an indicator to measure at various timeframes. Performance targets are planned level of performance or milestones an organisation sets for itself for each indicator identified. Targets are usually expressed in quantity or time terms.

### **6.1.6 Monitoring**

Monitoring is a continuous process of measuring, assessing, analysing and evaluating the performance of the organisation and departments with regard to KPIs and targets. Mechanisms, systems and processes for monitoring should provide for reporting at least twice per annum to the municipal council and the community, it should enable detection of early indication of underperformance and provide for corrective measures.

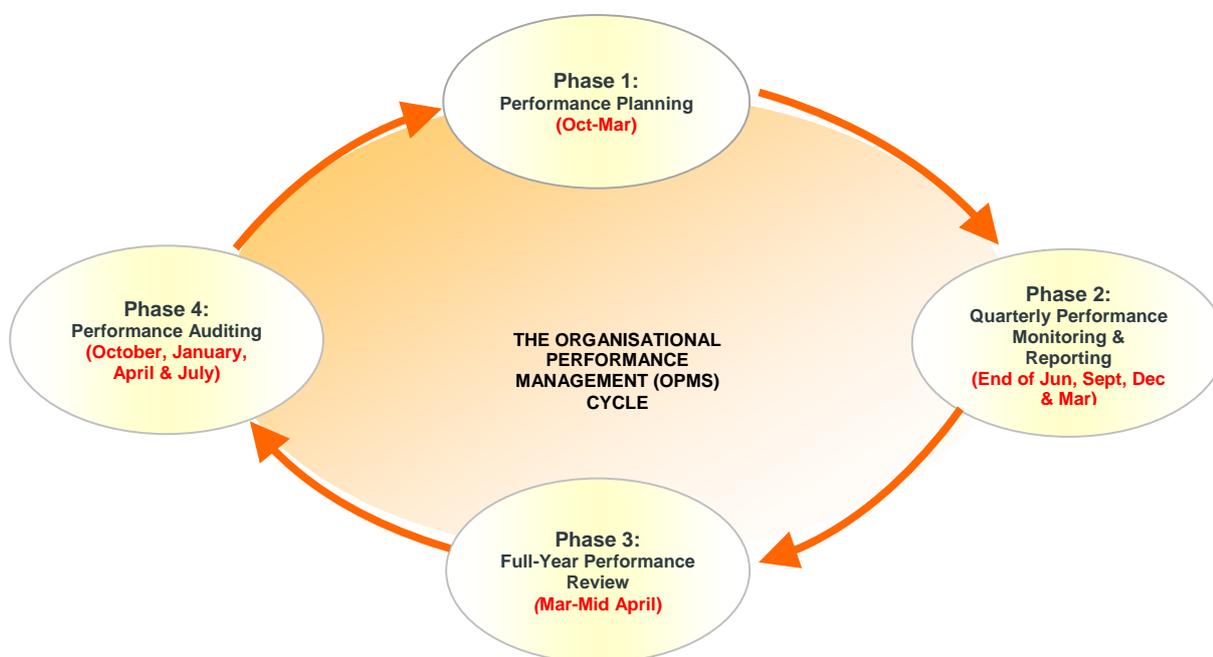
### **6.1.7 Review**

Review includes assessment of the system itself, the framework, targets, and performance targets of departments and performance measurement of employees. It identifies the strengths, weaknesses, opportunities and threats of the municipality in meeting key performance indicators, performance targets and general key performance indicators. It also measures the economy,

efficiency, effectiveness in the utilisation of resources and impact in so far as performance indicators and targets set by the municipality are concerned. Performance improvement and adjustment is based on review. The municipality should ensure that the community participates in review.

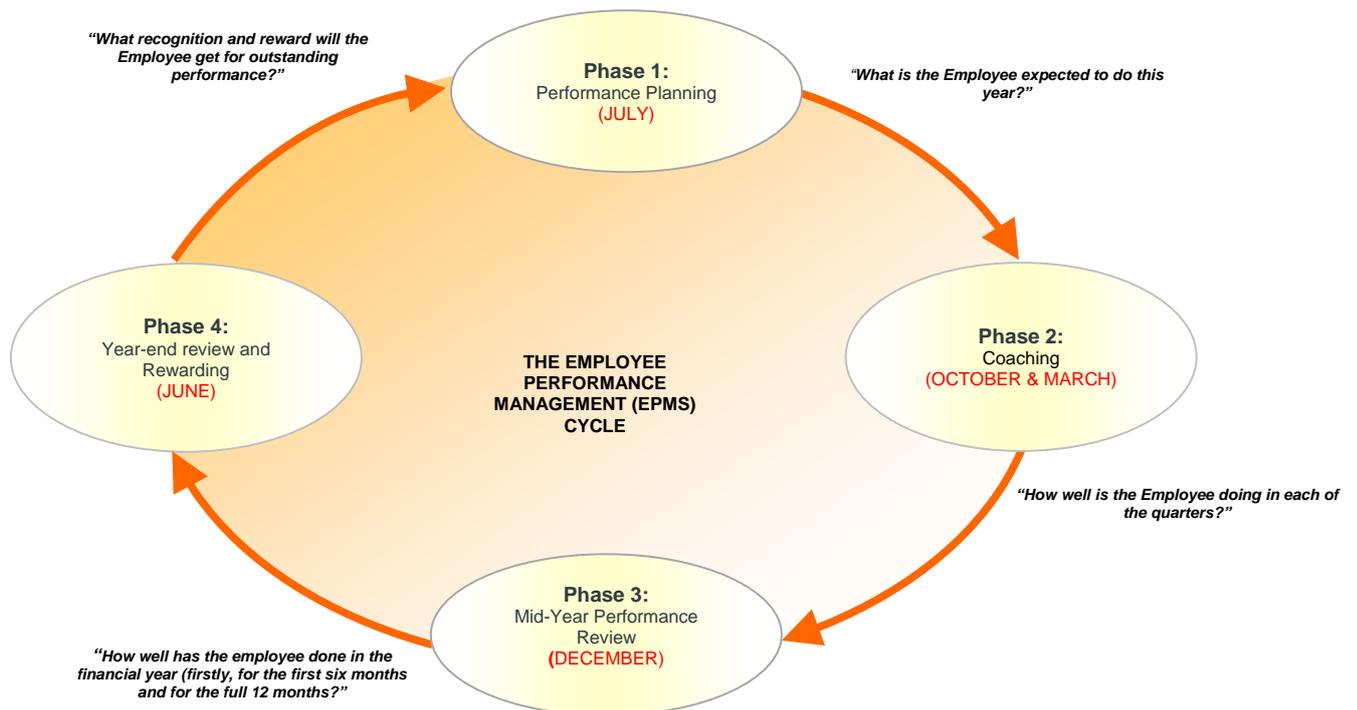
The organisational performance management cycle has the following processes/phases: performance planning, performance monitoring & reporting, performance reviewing (evaluation & assessment) and performance auditing.

The *Organisational PMS cycle* is presented in the diagram below:



## 6.2 Individual Level

Employee performance management system can be defined as the process through which the planned performance objectives as defined in the Strategic Plan are cascaded into employee's Annual Performance Plans, thus allowing for the planning, coaching and monitoring, reviewing and rewarding of performance, and the enhancement of development, at the level of the individual employee.



### 6.2.1 Phase 1: Planning

This is about jointly identifying individual performance expectations and gaining the employee's commitment in achieving these expectations. This also entails the identification of KFA's and indicators, the establishment of year-end targets and the planning for the phasing in of the year-end target into quarterly targets (cumulatively and quarterly).

### 6.2.2 Phase 2: Performance Coaching

This is the phase of continuously tracking and improving performance, through feedback and reinforcement of key results and competencies. This is done with a view to timely detect performance relapses and to simultaneously introduce speedy remedial actions. A prescribed record

sheet is used to record evidence and remedies. During this phase, on a quarterly basis, the actual performance must be determined and be judged against the quarterly obligation as well as the cumulative performance and the standards that have been set in advance. During this phase it is also important to provide and present any evidence proving performance. Although actual measurements are done each quarter, formal performance reviews only are to be done half yearly and year-end provided the documented performance in the first and third quarter is satisfactory.

### **6.2.3 Phase 3: Reviewing**

This phase involves jointly assessing performance against expectations (planned vs. actual performance) at mid-year and year-end.

- Manager to set up formal mid-year review in December to assess the relevance of the objectives and the Employee's performance against the objectives.
- Manager to set up a formal final review in June.

#### **The process for reviewing performance is as follows:**

- Employee to submit all required "evidence" to the Manager.
- Manager to prepare scores of Employee's performance against agreed objectives as a result of the evidence.
- Manager to ask Employee to prepare for formal review by scoring him/herself against the agreed objectives.
- Manager and Employee to meet to conduct formal performance review and agree final scores.
- It may be necessary to have two meetings i.e. give Employee scores and allow him/her time to consider them before final agreement.
- Should Employees not agree with the contents of their performance agreement after the planning discussion or with the final scores that are allocated to them by their Manager after the review discussions, they may follow the dispute procedure as outlined in the regulations for section 57 employees and other employees to follow MCLM dispute resolution mechanism.
- Manager and Employee to prepare and agree learning plan – this only needs to be done at the final review in June and not at the mid-year review.

### **The Evaluation Panel for reviewing performance**

According to the Municipal Performance Management Regulation 2006, Regulation 27 (4d) stipulates that:

- For purposes of evaluating the performance of the Employee, an evaluation panel constituted by the following persons will be established – **(only applicable to the Municipal Manager)**
  - Executive Mayor/ Mayor;
  - Chairperson of the Audit Committee;
  - Ward committee member (on a rotational basis), where applicable;
  - Member of the Mayoral Committee; and
  - Mayor and/ or Municipal Manager from another Municipality.
  
- For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established. **(only applicable to the managers directly accountable to Municipal Manager)**
  - Municipal Manager;
  - Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
  - Internal Audit,
  - PMS Manager / Specialist
  - Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council; and
  - Municipal manager from another municipality.

The terms of reference for the Section 57 employee's evaluation panel are:

- Assess performance against set targets as contained in the scorecards;
- Analyse performance report against evidence provided;
- Review the internal audit report;
- Make recommendations on the overall performance of the employee;
- Make recommendations for bonus payments;
- PMS Manager / Specialist provide secretariat role; and
- Record any deviations that may arise.

- For purposes of evaluating the annual performance of managers and specialists, an evaluation panel constituted of the following persons must be established.
  - Supervisor /Line Manager;
  - Employee;
  - HR/PMS specialist
  
- For purposes of evaluating the annual performance of all staff below section 57 employees, an evaluation panel constituted of the following persons must be established.
  - Supervisor /Line Manager;
  - Employee

The terms of reference for evaluation panel for staff below section 57 employees are:

- Assess performance against set targets as contained in the scorecards;
- Analyse evidence provided;
- Make recommendations for non financial reward;
- Record discussions and any amendments made to the signed off scorecard.

#### **6.2.4 Phase 4: Year End Review and Rewarding**

This phase establishes the link between performance and reward. It aims to direct and reinforce effective work behaviors by determining and allocating equitable and appropriate rewards to employees. Permanent employees will initially be awarded non-financial rewards for good performance and ultimately financial rewards will be determined through the National Collective Bargaining process at South African Local Government Bargaining Council (SALGBC).

## 7. The Auditing of Performance Measures

### 7.1 The role of internal audit in terms of performance management

The MFMA requires that the Municipality must establish an internal audit section which service could be outsourced depending on its resources and specific requirements. Section 45 of the Municipal Systems Act stipulates that the results of the Municipality's performance measures must be audited by the said internal audit section as part of the internal auditing process and annually by the Auditor-General.

The Municipal Planning and Performance Management Regulations stipulate that the internal audit section must on a continuous basis audit all performance and the auditing must include an assessment of the following:

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

#### **Functionality**

To function could be defined as a proper or expected activity or duty or to perform or operate as expected. This could also be applied to the operation of any system such a PMS. The internal audit section must therefore on a regular basis audit whether the PMS of the Municipality is functioning as developed and described in this framework.

#### **Compliance**

To comply can be defined as to act in the way that someone else has commanded themselves against requirements. In this respect it is clear that the legislature wishes to ensure that the Municipality's PMS complies strictly with the requirements of the Systems Act, Regulations and the MFMA. This compliance check would require that the Municipality's internal audit unit, at least on an annual basis, verifies that the Municipality's PMS complies with the said legal requirements.

## **Reliability**

To rely could be defined as to trust or depend (upon) with confidence. Reliability in the context of PMS refers to the extent to which any performance measures reported upon could be seen as being reliable, e.g. if the performance target was to build 500 houses and it is reported that the target has been met or exceeded, it must be established whether the information is factually correct or only an estimation or even worse, purposeful misrepresentation. Undertaking a reliability audit will entail the continuous verification of performance measures and targets reported upon. This will require that the Municipality sets in place a proper information management system (electronically or otherwise) so that the internal audit section is able to access information regularly and to verify its correctness.

The Municipality's internal auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

## **7.2 Performance Audit Committee**

The MFMA and the Municipal Planning and Performance Management Regulations require that the municipal council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No Councillor may be a member of an audit committee. Council must also appoint a chairperson who is not an employee. The Regulations gives municipalities the option to establish a separate performance audit committee whereas the MFMA provides only for a single audit committee. The operation of this audit committee when dealing with performance management is governed by section 14 (2-3) of the Regulations which require that the audit committee must:

- Review the quarterly reports submitted to it by the internal audit unit
- Review the municipality's PMS and make recommendations in this regard to the Council of the Municipality
- At least twice during a financial year submit an audit report to the municipal Council

In order to fulfil their function a performance audit committee may, according to the MFMA and the Regulations,

- Communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;

- Access any municipal records containing information that is needed to perform its duties or exercise its powers;
- Request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

### **7.3 Performance Investigations**

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

- The reliability of reported information
- The extent of performance gaps from targets

## 8. General Issues Relating to Performance Management

The following are some general issues related to performance management that need to be taken into consideration in implementing the PMS of the Municipality:

### 8.1 Managing Poor Performance

Should an Employee not be achieving the objectives in his/her performance agreement the Manager should assist the Employee by managing his/her performance more closely. It is **not** appropriate that the first time an Employee hears about his/her non-performance is at the formal performance review. Employees **must** be coached and given feedback throughout the year.

#### 8.1.1 Early Warning Mechanisms

The municipality's 1<sup>st</sup> quarter performance report should be used as early warning mechanisms to assess performance of a department or even the entire municipality, to determine whether the annual performance targets are not likely to be achieved. The departments should review mechanisms to improve its performance and indicate to the internal audit and performance audit committee how they intend to achieve better.

#### 8.1.2 Addressing Poor Performance

The management of poor performance should be seen as a corrective process, focusing on addressing issues that lead to performance related problems. Counseling is seen as the first corrective process, which should include the following:

- Identify and agree on the problem.
- Describe the impact of the poor performance.
- Establish reasons for performance
- Decide and agree on what actions are required , and set the necessary timeframes
- Resource the agreed actions

## 8.2 Reward and Recognition

### 8.2.1 Non-Financial Rewards

Non-financial reward is based on recognising high performance in ways other than financial reward. Such recognition should be based on the following three approaches –

- **Informal:** These are spontaneous and can be implemented with minimal planning and effort, e.g. calling an employee into the office and thanking him/her for a job well done and not discussing anything else.
- **Awards for specific achievements and activities:** These are tailored to reward specific achievements and behaviours desired most in the organisation, e.g. long service awards, monthly awards, etc.
- **Formal:** The municipality has formal recognition programmes used to formally acknowledge (in public) significant contributions by individuals and teams, e.g. annual mayor's awards for excellence, etc.

#### **Types of non-monetary rewards**

- **Merchandise;** such as ipods, mobile phones, perfumes, camcorders, bottles of champagne/ wine, or watches.
- **Activities/ special events;** such as meals out, hotel spa accommodation/ treatments or hot air ballooning trips – which may be provided for an individual employee (or an individual plus a partner or friend) or could reward teams (teams meal out, for instance).
- **Retail vouchers;** which are often obtainable at a discount 'face value'
- **Quality Review.** Each quarter, the employee with the top 15% Quality Review scores will be presented with a certificate by management during a division meeting. Employees who achieve the top 15% Quality Review scores on average for the year will be presented with a certificate by the Municipal Manager during an annual award breakfast or luncheon.
- **Perfect Attendance:** Employees with perfect attendance during six consecutive months will be presented with a certificate by management during a division meeting and will receive an afternoon off (the date of the afternoon off should be chosen by the employee). Employees with perfect attendance during twelve consecutive months will be presented with a desk display award by management during a division meeting and will receive a day off (the date of the day off should be chosen by the employee). They will have their names put in a hat for a drawing that occurs once a month for an upscale prize (e.g. movie tickets, high quality

restaurant dinner for two). As long as they have perfect attendance they will be eligible for the drawing. Winners will be highlighted during a monthly communication meeting.

- **Personal Recognition – Birthday:** Birthdays will be celebrated by attaching balloons to the employee's workstation and office wishing them a happy birthday.
- **Free Leave days:** employee should be granted three free leave days. The supervisor and the employee must agree on the dates. This dates must be taken within three months of it being awarded otherwise it will be forfeited.

### **Low cost Rewards**

- Sponsor a visit to the health spa;
- Magazine subscriptions
- Movie ticket or ticket to local event
- A cap or ties
- Key rings
- Calculator
- Wallet
- Umbrella
- Engraved pen and pencil set
- Sunglasses

### **8.2.2 Performance Bonuses**

In order to encourage high standards of performance it is recognised that outstanding performance should be rewarded. Employees who have signed fixed term contracts and performance agreements and who obtain high scores on their performance agreements are eligible to receive some form of financial reward as outlined in the Municipal Performance Management Regulation for Section 57 managers. A performance score is calculated according to the KPI and core competencies and added together to give an overall performance score. The amount of the bonus is determined by the total performance score, based on the following criteria determined by the regulations.

Paragraph 32 in the Local Government: Municipal Performance Regulations for Section 57 Managers (the Regulations) provides as follows, under the heading Management of Evaluation Outcomes.

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

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

In the case of **unacceptable performance**, the employer shall –

- provide systematic remedial or developmental support to assist the employee to improve his or her performance; and
- after appropriate performance counselling and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and performance does not improve, the employer may consider steps to terminate the contract of employment of the employee on grounds of unfitness or incapacity to carry out his or her duties.

### 8.2.3 Allocation of Bonus

The table below provides for the threshold for the allocation of bonus and institution of poor performance management measures depending on the level of performance expresses in percentages in line with the regulations above.

The third column, entitled Percentage, is the conversion of the five point scale into percentages from a total of 200 percent as provided for in the Regulations. The third column also provides actual threshold for the payment of bonus with the fourth column, entitled Rewards or Corrective Action, providing the actual bonus quantum in proportion to the actual performance score with the determined thresholds.

Key terminology used in the Regulations is outstanding performance and unacceptable performance. The percentage threshold for bonus payment give meaning to the term outstanding performance through the threshold of 130% as the standard for outstanding performance and not the definition provided for the levels of performance in column two. The definition of unacceptable

performance should be level two and below which are 80% and below in terms of percentages are defined as “performance not fully satisfactory” and “unsatisfactory performance.

Level	Terminology	Percentage	Rewards/Corrective Action
5	Outstanding performance	161% - 200%	10% - 14% Bonus
4	Performance significantly above expectations	121% - 150% and above	5% - 9% Bonus
		130% - 149%	
		121% - 129%	No Bonus
3	Fully effective	81% - 120%	
2	Performance not fully satisfactory	41% - 80%	Poor Performance Management
1	Unsatisfactory performance	0% - 40%	

### 8.3 Dispute Mechanism

The municipal performance management regulation for section 57 managers provide clear guidelines for performance disputes relating to the performance of the municipal manager and managers directly accountable to the municipal manager. Below is the process of dispute as it relates for section 57 employees as stipulated in the said regulations.

- Any disputes about the nature of the Employee’s performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/ or any other matter provided for, shall be mediated by –
  - In the case of the municipal manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC ; and
  - In the case of managers directly accountable to the municipal manager, the executive mayor or mayor within thirty (30) days of receipt of a formal dispute from the employee;
  - In the event that the mediation process contemplated above fails, clause 19.3 of the Contract of Employment shall apply.

The following process relates to dispute relating to employees below section 57 employees. .

- Conducting performance counselling in case of poor performance;
- If counselling does not yield results, employees are put on performance improvement process with action plan and clear timelines; and
- If performance does not improve, disciplinary process will be initiated, where by a verbal warning will be given, followed by written warning and subsequent dismissal.

#### **8.4 Integrating PMS with the Council's existing management cycle**

Leading practice indicates that PMS stand the best chance to succeed if it is integrated with the current management cycle of the Municipality. The purpose of such a cycle would be to guide the integration of important processes such as the strategic planning or development process in terms of the IDP methodology, the annual budget process and the formal process of evaluating and assessing Council's performance in terms of the approved PMS and this framework and it is recommended that the Municipality develop and adopt a similar cycle that suitable to its own circumstances and requirements.

## 9. Conclusion

Performance management is a process which stretches right through the organisation, from its vision and mission statement, to its objectives and eventually its staff. It applies to the performance of an organisation as well as to all persons related to it. The *White Paper on Local Government* (1998) states that key mechanisms to ensuring service excellence in municipalities include integrated development planning, performance management and community participation. As a start there are things that a municipality simply must do.

It must:

- establish a performance management system that is commensurate with its resources, best suited to its circumstances and in line with its targets, priorities and objectives contained in its IDP.
- promote a culture of performance management among its political structures, political office-bearers, councillors and administration.
- administer its affairs in an economical, effective, efficient and accountable manner (Municipal Systems Act, 2000).

Appropriate Key Performance Indicators must be established to serve as a yardstick for measuring individual and organisational performance. These key performance indicators should include outcomes and the impact of a performance area with regards to a municipality's development priorities and objectives as set out in its IDP.

The proposed performance management framework is aimed at guiding MCLM in the development of a performance management system which will contribute to improving the municipal performance and enhance service delivery. The framework is developed 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, organised and managed, including determining the roles of the different role players.

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 from a constantly changing environment.