



STEVE TSHWETE LOCAL MUNICIPALITY



PERFORMANCE MANAGEMENT SYSTEM FRAMEWORK

2015-16 REVIEW



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CHAPTER 1

INTRODUCTION

1.1. Overview

The Performance Management System Framework within the Steve Tshwete Local Municipality is intended to provide a comprehensive; step by step planning design and implementation that will help the municipality manage the process of performance planning and measurement effectively.

The municipality requires a PMS that will be constituted as the primary mechanism to monitor, review and improve the implementation of the municipality's IDP. This system should therefore fulfill the following:

- facilitate increased accountability;
- facilitate learning and improvement;
- provide early warning signals of underperformance, and;
- facilitate decision making.

1.2. STLM Performance Management Principles

The principles that govern the Steve Tshwete Municipal PMS are developed to ensure that the PMS is relevant, especially in attaining its objectives and legislative requirements. The said principles are the following:

effective utilization of financial and human resources,
simplicity so as to facilitate implementation given any current capacity constraints,
politically acceptable to all political roleplayers,
administratively managed in terms of its day-to-day implementation,
implementable within any current resource constraints,
transparent and accountable both in terms of developing and implementing the system,
efficient and sustainable in terms of the ongoing implementation and use of the system,
objectively based on credible information,



reliability of the information provided on the progress in achieving the objectives as set out in its IDP,
Aligned with other municipal initiatives, like the IDP and the Budget.

2. KEY CONCEPTS

A critical part of building a well-capacitated Performance Management System is to establish a sound theoretical foundation. In obtaining this it is imperative to have a mutual understanding of the key concepts and the most fundamental terminology used in the field of Performance Management.

The following concepts are crucial in the understanding and effective implementation of the PM-System:

Concept	Definition
Performance Management System (PMS)	The performance management system is used to ensure that all segments of the municipality work together to achieve the goals and targets set for the municipality.
Organisational Performance Management (OPM)	Concerned with the overall performance of the municipality in relation to giving effect to the IDP of the municipality.
Management (IPM) Individual Performance	Each individual staff member will have performance objectives, targets and standards that are linked to the objectives of the section, the department and the municipality as a whole.
Integrated Development Plan	A clearly defining 5-year strategic plan for the municipality that should be reviewed annually.
Key Performance Area (KPA)	Key areas of responsibility.
Key Performance Indicator (KPI)	Qualitative or Quantitative measures that tell us whether the municipality is making progress towards achieving the desired objectives and results.
Objectives	Statements about the outcomes the municipality wants to achieve.
Input Indicators	Indicators that measures resources, economy and efficiency.



Concept	Definition
Output Indicators	Indicators that measures whether a set of activities yield.
Outcome Indicators	Measure the broader results and impact of services on communities.
Targets	The level of performance achieved by a specific time.
Baseline Indicators	Indicating the status quo before the start of a programme. The base from which progress will be measured.
Benchmarking	Refers to a process whereby an organisation of a similar nature uses each other's performance as a collective standard against which to measure their own performance.



CHAPTER 2

RATIONALE FOR PERFORMANCE MANAGEMENT

2.1. Purpose of PMS

The Performance Management System is essential to assist Councilors, managers, employees and other stakeholders in implementing the corporate strategy.

Integrated Development Planning was introduced as a strategic management tool to realize the developmental role of local government. On the other hand, performance management is a management tool introduced to facilitate the implementation of the Integrated Development Plan (IDP), and as such forms an integral part of the IDP.

Performance management is of critical importance to ensure that plans are being implemented, that they are having the desired development impact, and that resources are being used efficiently.

The needs of the communities that the Municipality serves are growing proportionally larger than the available resources to fulfill those needs. It is thus necessary to make strategic decisions for the optimal use of those scarce and limited resources to ensure the maximum impact in addressing those needs. Whilst the IDP provides a framework for such strategic decision making, performance management ensures that the desired results are achieved during implementation.

On the basis of the above, it is important to highlight that the main purpose of the Performance Management System is to ensure that whatever has been agreed upon within the municipality's IDP gets systematically implemented and measured to the final benefit of the residents and all other stakeholders of the municipality. The system also seeks to highlight the areas to be measured as taken from the IDP documentation, it uses the same indicators set and evaluate the strategic impact and possibility at the conclusion of the IDP.



2.2. Objectives of PMS

Beyond the need to comply with legislative requirements, the Steve Tshwete Local Municipality requires a performance management system as the primary mechanism to plan for performance management and monitor, review and improve the implementation of the municipality's IDP.

The PMS for the Steve Tshwete Local Municipality includes the following objectives that the system should fulfill:

Meeting IDP Objectives - To ensure that the priorities as contained within the IDP are achieved, by measuring the success of meeting these

Facilitate increased accountability - The individual performance management system should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team as well as all other officials.

Facilitate learning and improvement - The PMS should facilitate learning in order to enable the Municipality to improve delivery.

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

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.

Best practice and shared learning - The Municipality's PMS should contribute towards creating a culture of best practice and encouraging shared learning among municipalities

Improved Service Delivery - The improvement and development of the performance management system should improve service delivery in the municipality.



2.3. LEGISLATIVE IMPERATIVES

The framework for Performance Management is informed by the following policy and legislation on performance management:

Concept	Definition
Constitution 1996 (Section 152)	Mandates Local Government to: <ol style="list-style-type: none">1. Provide democratic and accountable government for local communities.2. Ensure the provision of sustainable municipal services to communities.3. Promote social and economic development.4. Promote a safe and healthy environment.5. Encourage the involvement of communities in the matters of local government.
Municipal Systems Act (Act 32 of 2000, Chapter 6).	A Municipality must: <ol style="list-style-type: none">1. Establish a Performance Management System.2. Promote a performance culture.3. Administer its affairs in an economical, and accountable manner. A Performance Management System must be able to: <ol style="list-style-type: none">1. Set KPI's for measuring Performance.2. Set measurable performance Targets.3. Monitor and review performance.4. Improve performance.5. Report on performance
Concept	Definition



<p>White Paper on Service Delivery (Batho Pele) 1998.</p>	<p>PMS must be based on the 8 principles of “Batho Pele”:</p> <ol style="list-style-type: none">1. Consultation.2. Service Standards.3. Access.4. Courtesy.5. Information.6. Openness/Transparency.7. Redress.8. Value for Money.
<p>MFMA (Act 32 of 2000) Chapter 6.</p>	<p>A municipality must:</p> <ol style="list-style-type: none">1. Establish a performance management system.2. Monitor and review the performance management system.
<p>Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.</p>	<p>The performance management system must provide for:</p> <ol style="list-style-type: none">1. Community involvement.2. Auditing of performance.3. Inclusion of National Key Performance Indicators.4. Performance Reporting



2.4. Key Elements of the Performance Management System

Performance management is a business process that links what individuals and teams do on a daily basis with the larger goals, values and cultural practices of the organisation and the needs of its customers; it is a process for establishing a shared understanding about what is to be achieved and how it is to be achieved; it is an approach to managing people that when done well, contributes to an enduring and healthy organisation.

The following elements are crucial to the Steve Tshwete Local Municipality PMS:

- Clarify performance expectations by setting standards and targets to be achieved for each of the measures to be used in the assessment of performance.
- Monitor, measure, assess and evaluate performance.
- Link all jobs to the strategic priorities and objectives in the IDP and enable staff to understand how their jobs contribute to these.
- Ensure resources are directed and used in efficient, effective and strategic ways by each employee, department and hence the whole Municipality.
- Include communities and other stakeholders in decision-making, monitoring and evaluation of what was achieved and whether it was adequate.
- Learn from experience and use it to continuously improve on service delivery.
- Maintain transparency and accountability and promote good governance

> It is a business process

It is about the everyday actions and behaviours people use to deliver the goals of the organisation to meet customer needs, improve performance and themselves. It cannot be divorced from the management and business processes that pervade the organisation. Performance management is not about a set of forms, the annual appraisal ritual, or the merit or reward scheme.

> It creates a shared understanding about what is to be achieved and how it is achieved

Individuals and teams need to have a common understanding of how their roles connect to the business mission and goals of the organisation. To improve performance they also need to know what superior performance looks like, and how to achieve it. Performance can be described as a set of tasks, goals, behaviours or results or any combination of these elements. The goals and tasks must be formalized into a performance agreement.



> It is an approach to managing people

The focus of performance management is on connecting people to one another and to the larger organisation and its values. The main emphasis is on how to get people to work together and support one another to achieve shared aims. In particular it puts the responsibility on managers to work effectively (through coaching and motivating) with those for whom they are accountable.

> It increases the probability of organisation health and durability

Performance management has a clear purpose. It is about delivering success for individuals, teams, and the municipality. By establishing a continuous management process that delivers clarity, support, feedback, and recognition to all, leaders take a major step in sustaining performance, the performance management process, and organisational life span.

> It is driven by competencies

There are as many definitions of competency as there are competency authors. The term as used in this report refers to the key personal skills and knowledge that enable individuals to perform their work.



CHAPTER 3

PERFORMANCE MANAGEMENT AND MEASUREMENT AT VARIOUS LEVELS

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

At the beginning of the term of council, the municipal council and the Executive Mayor, in consultation with the public and key stakeholders will produce an Integrated Development Plan. This plan outlines the key priorities and objectives for the Steve Tshwete Local Municipality for the following 5 years together with the concrete actions and targets for measuring achievement. It will then be reviewed on an annual basis.

The priorities and objectives in the IDP are cascaded into the Top/ Organisational/ Corporate Level Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP outlines High-level municipal plan for a year with organizational Key Performance Indicators (KPIs) and Quarterly Targets.

Section 1 of the MFMA defines the SDBIP as:

“a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) for implementing the municipality’s delivery of services and the execution of its annual budget and which must include (as part of the top-layer) the following:

(a) projections for each month of-

(i) revenue to be collected, by source; and

(ii) operational and capital expenditure, by vote;

(b) service delivery targets and performance indicators for each quarter”.

The organisational KPIs and quarterly targets are cascaded into Technical/ Departmental SDBIPs which serves as high-level plans for individual departments. The implication is that once organisational objectives and targets have been set it is possible to cascade these down to the relevant departments and individuals. In turn, individuals and departments by achieving their objectives and targets contribute towards the council achieving the objectives and targets in the IDP.



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

The Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to municipal managers requires performance agreements to have performance plans which consist of two main components: a weighting of 80:20 allocated to Key Performance Areas (KPAs) and Core Managerial and Occupational Competency Requirements respectively. The 80% covers the main area of work and the Management and Occupational Competencies account for the 20% of the final assessment.

The following figure indicates the performance measurement at various levels:

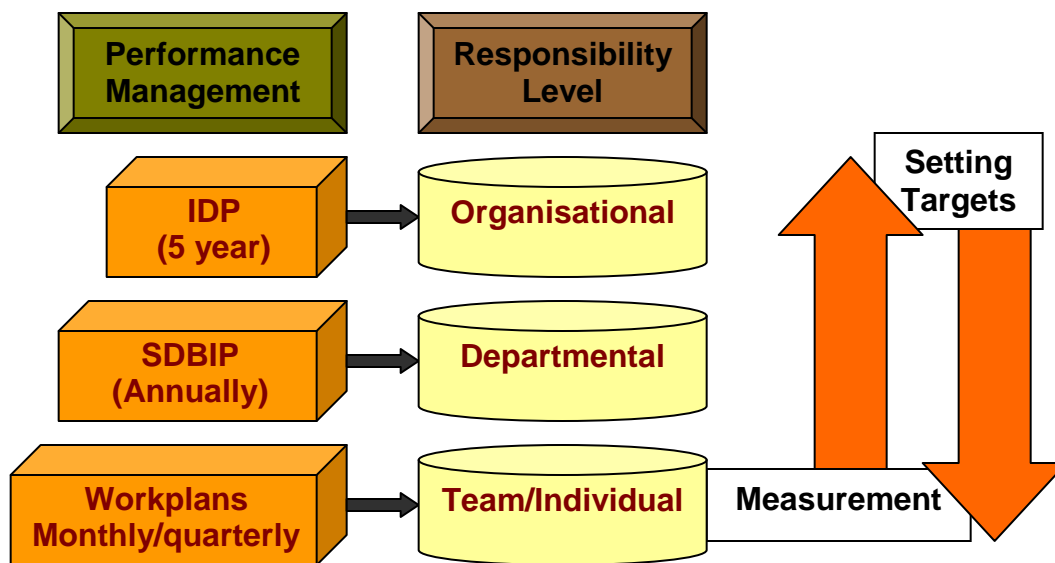


Figure 1: Levels of Performance Management and Measurement in STLM

The Municipal Planning and Performance Management Regulations stipulate that a municipality’s Performance Management System (PMS) must entail 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. The individuals in the municipal



administration will obviously play a central and management role in the performance management of the municipality. As required by legislation, this documents sets out:

- The **requirements** that a performance management system will need to fulfill,
- The **principles** that will inform the development and use of that system,
- A preferred **model** that describes what areas of performance will be measured and hence managed in the Municipality,
- The **process** by which the system will work, and the delegation of responsibilities for different roles in the process,

In line with the said legal requirement this framework is a policy document that will set out the requirements that the Municipality's PMS will need to fulfill, the principles that informed its development and subsequent implementation, the preferred performance model of the Municipality, the process by which the system will work, the delegation of responsibilities for different roles in the process and a plan for the implementation of the system.

This Framework document is to serve as policy for the Steve Tshwete Municipality as anticipated and required by the Municipal Systems Act and its respective regulatory requirements.

The policy document, forming part of the Performance Management System (Framework) of the municipality will be reviewed annually as part of the performance review requirements of the applicable legislation (particularly the Municipal Systems Act).



CHAPTER 4

PERFORMANCE MANAGEMENT FRAMEWORK

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.

The said framework further integrates all planning processes in the municipality and cascade them to the departmental and individual level.

On the same note, it can be highlighted that the framework will assist the municipality to establish a culture in which individuals and departments take responsibility for the delivery of set targets and indicators. It also helps to focus the organisation on the types of skills that employees require to deliver such targets and indicators.

The STLM performance management framework is designed in a form of a process that will ensure understanding and buy-in of council's key strategic priorities from all staff members. By the same token, the process will assist staff members to understand their individual and team role in meeting the ultimate objectives of council.

4.1. PERFORMANCE MANAGEMENT PROCESS

The following steps and ongoing requirements of the performance management process will be considered and adhered to, to ensure that legal and PMS operational requirements are met.

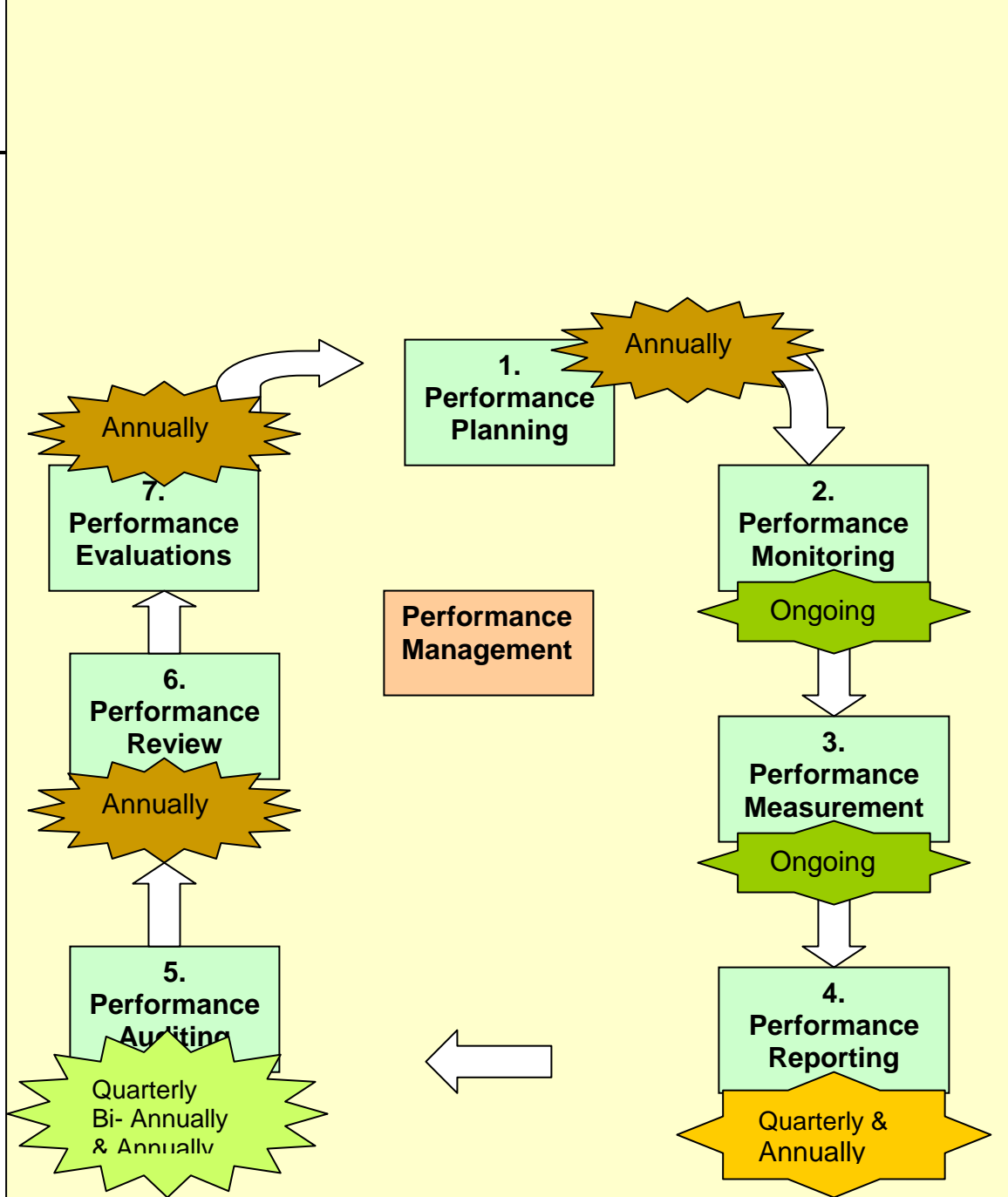


Figure 2: The Steve Tshwete Municipal Performance Management Process

It must be noted that not all these steps are necessarily performed in succession. This is due to the various requirements of the different steps. The description of requirements of each of these steps is now highlighted.



4.1.1. Performance Planning

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

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

In order to ensure that the municipality meets its organisational performance indicators and targets, it is appropriate to introduce performance measurement plans for the individual employees within the municipality. Thus each individual is given performance objectives, indicators and targets that are linked to the objectives of the department and ultimately to those of council. It is again crucial that objectives, indicators and targets are developed for all the priorities in the Integrated Development Plan.

The planning process takes place once a year and is driven from the office of the municipal manager.

4.1.2. Performance Monitoring

Performance monitoring is a process that runs parallel to the implementation of the approved IDP.

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

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



4.1.3. Performance Measurement

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

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

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

4.1.4. Performance Reporting

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

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

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

Council reports twice per annum to the community through mechanisms determined by it through its community participation and communication policy. Council also reports annually to the Office of the Auditor General and the MEC responsible for local government in the province. The MEC consolidates all municipal annual reports in the province and reports to the Minister responsible for Provincial and Local Government who in turn will present a report on the state of local government to the national assembly.



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

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

4.1.5. Auditing

The Municipal Planning and Performance Management Regulations, 2001, requires municipalities to develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its auditing processes.

The Regulations and the MFMA provides for the establishment of an internal audit function. Internal auditing must include assessment of the following:

- The functionality of the municipality's performance management system.
- Whether the performance management system complies with the relevant provisions of the Municipal Systems Act, 2000.
- The extent to which the municipality's performance measurements are reliable in measuring performance.

Internal Auditor will:

- On a continuous basis, audit the performance measurements of the municipality.
- Submit quarterly reports on their audits to the municipal manager and the Audit Committee.

Audit Committee

The Audit Committee established in terms of the MFMA will *inter alia* play an advisory role on matters related to performance management and evaluation. The functions of the Audit Committee will be formulated in a manner that takes into account the instructions of the Planning and Performance management Regulations.



4.1.6. Performance Review

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

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

The annual review is informed by the results of the community satisfaction survey and reports, which are audited by the Audit Committee and measures that were taken during the year to improve performance.

The results of the review process will be used to develop corrective measures to improve performance and inform the subsequent stages of planning.

Review also includes assessment of the adequacy of all components of the system. It identifies the strengths, weaknesses, opportunities and threats of the municipality in meeting targets set in the Service Delivery and Budget Implementation Plan. It also measures the economy, efficiency, effectiveness in the utilization of resources and the impact government programmes are having on the lives of the people in the community. Performance improvement and adjustment is based on the results of the review.

4.1.7. Performance Evaluations

This phase involves the assessment of the actual performance against expectations at the end of the performance cycle so as to analyse and document planned versus actual performance.

During this phase the municipality also assesses whether the organization and individuals are doing the right thing better or not. Baseline data is critical at this point as it helps to determine whether the current level of performance is better than the previous one. i.e. the current municipal performance in comparison with previous year's performance and or similar municipalities. (Customers, such as communities are expected to provide feedback at this level).

This is a crucial phase of continuously tracking and improving performance through feedback and reinforcement of key results and competencies. Here constructive feedback to ensure that the employee is on track is critical.



4.1.8. Performance reward system for Steve Tshwete local municipality

The primary purpose of the PMS Reward System is:

- a) To build a workforce motivated towards the development of skills and competencies focused on the establishment of an effective, efficient and accountable administration;
- b) To set challenging yet realistic objectives for individuals, teams and departments; and
- c) To improve and maintain customer service and service delivery throughout the municipality.

To achieve this purpose the PMS Reward System sets out to:

- Create a positive environment
- Motivate high performance
- Reinforce desired behaviour
- Create a culture of recognition
- Increase morale
- Support the municipality's mission and values
- Increase retention of staff and decrease the turnover of staff
- Encourage loyalty and identification with the municipality

The Reward System/ Performance Bonuses

Municipalities are legally obliged to have a remuneration and reward policy that sets out the link between performance and rewards for the Municipal Manager and the first level managers reporting directly to the Municipal Manager (Section 57 Employees). Section 57 of the Municipal Systems Act (2002) and the PMS Regulations of 01 August 2006 set the guidelines to follow in this regard. However, it is also recommended for a municipality to develop and implement a reward system for all its employees which is linked to the individual performance of every individual employee to encourage higher standards of performance in the municipality. Two categories of municipal employees have been identified based on the manner in which an employee is employed.

Performance Reward Scheme for first level Section 57 Managers

Section 57 Employees have been defined as employees employed under the provisions of Section 57 of the Municipal Systems Act of 2002 on a performance based fixed term employment contract. In Steve Tshwete Local Municipality the Municipal Manager and the Executive Directors reporting directly to the Municipal



Manager are defined under this category. These employees will be measured and evaluated in terms of the provisions of Section 26 and 27 of the PMS Regulations of 01 August 2006. Section 32 of the Regulations will be applicable in determining performance rewards.

Performance is measured against the performance indicators set nationally in the PMS Regulations of August 2006. These indicators must be unpacked and taken up in the performance plans of the other Section 57 managers Executive Directors reporting directly to the municipal manager

Performance Awards for Permanent and Other Contract Employees

Permanent employees are defined for the purpose of performance management as employees who are permanently employed by Council and thus covered by the Basic Conditions of Service. Employees employed by contract, other than the Municipal Manager and the first level Managers (section 57 managers), will be treated under the same criteria and conditions for performance management as the defined permanent employees of the Municipality.

The PMS Regulations of 06 August 2006 does not make provision for rewards or bonuses for this category of employees. Council therefore may consider the implementation of financial rewards/bonus to individual employees.

Payment of performance reward to non-section 57 managers (post level 1 to 3) will be as follows:

A performance reward is a financial award granted to a manager on post level 1 to 3 according to Individual Performance Management Regulations of 2006. It is granted in recognition of sustained performance that is significantly above expectations and is rated as such in terms of the rating scale.

According to Section 72 1(i) of the Municipal Systems Act, this framework is aimed at providing guidelines on the development of remuneration, grading and incentives.

Section 8(1) of the PMS regulations state that a performance reward, based on affordability, may be paid to the employee, after the annual report for the financial year under review has been tabled and adopted by the municipal council. According to section 8(2)and(3) of the PMS regulations, an evaluation of performance in accordance with the provisions of Regulation 23; and the approval of such evaluation by the municipal council as a reward for outstanding performance.



Incentive Categories

The following categories are proposed:

Financial incentives

A performance reward of 1% and not more than 5% of the basic salary may be paid to the employee in recognition of outstanding performance. The monetary value of a performance reward may not exceed the prescribed percent.

Non-financial incentives

Financial rewards on their own are not always sufficient to motivate staff towards performance excellence. Other creative ways for recognising performance should be explored, i.e. where the award does not directly lead to “money in the pocket”. The municipality may, from time-to-time, at the discretion of the council introduce mechanisms for non-financial recognition to simulate performance across the municipality.

The following are examples of recognition that can be considered –

- Acknowledgement and recognition of performance excellence i.e. in department publications; specially created awards and certificates; citations at conferences/meetings; attendance at conferences etc.
- Public awards of various kinds made by management in recognition of a specific achievement or innovation or for consistent achievement over a specific period.
- Specific access to specialised training and development opportunities.
- Participation on a prioritised rotation basis in study tours
- Honorary awards for notable contributions

The performance of the employee in relation to his or her performance agreement must be reviewed on the following dates:

First quarter July - September

Second quarter October - December

Third quarter January-March

Fourth quarter April-June

Rating Performance

Individual performance is measured against the performance indicators set out in the Performance Plan of each individual employee. These indicators will be



reviewed annually, but may be altered or amended in the course of the financial year only with the consent of the responsible Head of the Department and the Municipal Manager, provided that it will still be within the parameters of the SDBIP of the particular department. A performance score of an employee is calculated according to set Key Performance Indicators (KPI's) on a quarterly basis.



CHAPTER 4

4.2. ROLES AND RESPONSIBILITIES

4.2.1 MUNICIPAL COUNCIL'S POLITICAL OVERSIGHT

Monitoring		
Review	Reporting	Performance Audit
<ol style="list-style-type: none"> Approves the annual review programme of the IDP, including the review of key performance indicators and performance targets. Approves the annual performance measures of the municipality as part of the new municipal strategic scorecard. Approves any changes to the priorities, objectives, key performance indicators and performance targets of the municipality. Approves any adjustment budget. 	<ol style="list-style-type: none"> Receives externally audited performance reports from the Executive Mayor twice a year. Reports on the municipal performance to the community on a quarterly basis. Approves recommendations for the improvement of the performance management system. Annually receives the appraisal of the Municipal Manager and Executive Directors' performance. Submits the municipal annual report to the Auditor General and the MEC. 	<ol style="list-style-type: none"> Approves the municipal annual audit plan and any substantial changes to it. Can receive performance reports directly from the Audit Committee. Approves the implementation of the recommendations of the Audit Committee with regard to both improvement in the performance of the municipality or improvement of the PMS itself. Receives the performance audit report from the Auditor General and approves the implementation of recommendations.

4.2.2 EXECUTIVE MAYOR

Planning		
<ol style="list-style-type: none"> Submits priorities and objectives of the Integrated Development Plan to Council for approval. Submits the PMS framework for approval. Submits the municipal top level service delivery and Budget Implementation plan for approval. Approves the lower level Service Delivery and Budget Implementation Plan. Enters into a performance agreement with the Municipal manager on behalf of Council. Assigns the responsibility for the management of the PMS to the Municipal Manager. 		
Monitoring		
Review	Reporting	Performance Audit
<ol style="list-style-type: none"> Proposes to Council, the annual review programme of the IDP, including the review of key performance indicators and performance targets. Proposes the annual performance measures of the municipality as part of the new municipal strategic scorecard. Proposes changes to the priorities, objectives, key performance indicators 	<ol style="list-style-type: none"> Receives performance reports quarterly from the internal auditor. Receives performance reports twice a year from the Audit Committee. Receives quarterly reports from the Municipal Manager on the performance of Directors and the rest of the staff. Reports to Council on the 	<ol style="list-style-type: none"> Submits the municipal annual audit plan and any substantial changes to it to Council for approval. Approves the implementation of the recommendations of the internal auditor with regard to both improvement in the performance of the municipality or improvement of the performance management system itself.



<p>and performance targets of the municipality.</p> <ol style="list-style-type: none"> Quarterly evaluates the performance of the municipality against adopted KPIs and targets. Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality. Quarterly and annually evaluates the performance of the Municipal Manager. 	<p>performance of the municipality twice a year.</p> <ol style="list-style-type: none"> Reports to Council on the recommendations for the improvement of the performance management system. Annually reports on the performance of the Municipal Manager and Directors. 	<ol style="list-style-type: none"> Receives performance audit report from the Auditor General and makes recommendations to Council.
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4.2.3. THE MUNICIPAL MANAGER

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



4.2.3. EXECUTIVE DIRECTORS

Planning		
<ol style="list-style-type: none"> 1. Participate in the formulation of strategic goals, objectives and priorities of the Integrated Development Plan. 2. Participates in the formulation and revision of the municipal strategic scorecard that includes key performance indicators and performance targets. 3. Participate in the formulation of the municipal Service Delivery and Budget Implementation Plan 4. Deliberate and advice the Municipal Manager on the formulation of IDP Priorities Balanced Scorecards and Service Delivery and Budget Implementation Plan. 5. Enters into a performance agreement with the Municipal Manager. 		
Monitoring		
Review	Reporting	Performance Audit
<ol style="list-style-type: none"> 1. Participate in the formulation of the annual review programme of the IDP, including the review of key performance indicators and performance targets. 2. Participate in the formulation of proposals for the annual performance improvement measures of the municipality as part of the new municipal strategic scorecard. 3. Quarterly evaluates the performance of their Heads of departments against adopted KPIs and targets. 4. Quarterly reviews the performance of their Heads of departments to improve the economy, efficiency and effectiveness of the municipality. 	<ol style="list-style-type: none"> 1. Receives performance reports from the Heads of Departments. 2. Receives quarterly reports from the Directors responsible for their portfolios before they are tabled at the Executive Mayoral Committee. 3. Reports to the Municipal Manager on the recommendations for the improvement of the performance management system. 	<ol style="list-style-type: none"> 1. Participate in the formulation of the annual audit plan. 2. Advises the Municipal Manager on the implementation of the recommendations of the internal auditor with regard to both the improvement in the performance of the municipality and improvement of the performance management system itself.

4.2.4. HEADS OF DEPARTMENTS

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



<p>the consideration of Council Committees and the Executive Mayor.</p> <ol style="list-style-type: none"> Quarterly reviews the performance of the department to improve the economy, efficiency and effectiveness of the municipality. Quarterly and annually evaluates the performance of the department. 	<p>improvement measures adopted by the Executive Mayor and Council.</p> <ol style="list-style-type: none"> Annually reports on the performance of the department. 	<p>Committee.</p> <ol style="list-style-type: none"> Participates in the formulation of the response to performance audit report of the Auditor General and makes recommendations to the Executive Mayor.
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4.2.5 DIRECTOR DEVELOPMENT AND STRATEGIC SUPPORT / ASSISTANT DIRECTOR PMS

Planning		Implementation	
<ol style="list-style-type: none"> Facilitate the formulation of strategic goals, objectives and priorities of the Integrated Development Plan. Facilitate formulation and revision of the municipal strategic scorecard that includes key performance indicators and performance targets. Facilitate the Development of departmental Service Delivery and budget Implementation Plan. Develop departmental scorecard. Manages the development of subordinates' performance measurement system. Enter into a performance agreement with the Municipal Manager. Researching the availability of data on indicators Interacting with stakeholders such as Trade Unions, IDP Forum and ward committees on the PMS. Commenting on any proposed amendments to any performance indicator or targets. 		<ol style="list-style-type: none"> Manage the implementation of the Departmental scorecard. Ensure that annual programmes are implemented according to the targets and timeframes agreed to. Implement performance improvement measures approved by the Executive Mayor and the Council. Manage the implementation of subordinates' performance measurement system. Ensure that performance objectives in the performance agreements are achieved. Commenting on any proposed amendments to any performance indicator or targets. Providing administrative support to the Performance Management Committee. Advising staff on the PMS via internal communication. Facilitating the annual review of the PMS Monitoring compliance to the PMS Framework as agreed to by council. 	
Monitoring			
Review	Reporting	Performance Audit	
<ol style="list-style-type: none"> Participates in the formulation of the annual review programmes of the IDP, including the review of KPIs and performance targets for the consideration of Council Committees and the Executive Mayor. Quarterly reviews the performance of the department to improve the economy, efficiency and effectiveness of the municipality. Quarterly and annually evaluates the performance of the department. 	<ol style="list-style-type: none"> Submit monthly departmental performance reports. Reports on the implementation of improvement measures adopted by the Executive Mayor and Council. Annually reports on the performance of the department. Compiling and submitting to Executive Mayor and council the Annual Performance Report. Compiling and submitting to Executive Mayor a summary of the previous three months service scorecards. Interacting with stakeholders such as Trade Unions, IDP Forum and ward committees on the PMS. Preparing reports on the national 	<ol style="list-style-type: none"> Participates in the formulation of the response to the recommendations of the internal auditor and the Audit Committee. Participates in the formulation of the response to performance audit report of the Auditor General and makes recommendations to the Executive Mayor. 	



	<p>indicators to the Department of Provincial and Local Government.</p> <ol style="list-style-type: none"> 8. Maintaining adequate records of the PMS. 9. Advising .staff on the PMS via internal communication. 10. Collecting data and compiling of the quarterly scorecard to be submitted to the Executive Mayor. 11. Submitting to Corporate Management the services and strategic scorecards before these are submitted to the Executive Mayor. 12. Obtaining public input on the annual performance report. 13. Forwarding the minutes of the council meetings at which the annual performance report was considered to the MEC and Auditor-General. 14. Forwarding copies of the annual performance report to the MEC and Auditor-General. 	
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4.2.6. STAFF

Planning	Implementation
<ol style="list-style-type: none"> 1. Participates in the development of the departmental scorecard and annual plan. 2. Participates in the development of their own performance measurement. 	<ol style="list-style-type: none"> 1. Executes individual work plans.
Monitoring	
Review	Reporting
<ol style="list-style-type: none"> 1. Participates in the review of departmental plans. 2. Participates in the review of own performance. 	<ol style="list-style-type: none"> 1. Reports to the line manager.



Planning	
1. Participates in the formulation of the annual audit plan.	
Monitoring	
Review	Reporting
<ol style="list-style-type: none"> Measures the performance of departments according to KPIs and performance targets set in the municipal scorecard and departmental scorecards. Assess the functionality of the PMS. Ensures that the system complies with the Act. Audit the performance measures in the municipal scorecard and departmental scorecards. 	<ol style="list-style-type: none"> Submit quarterly reports to the Municipal Manager. Submit quarterly reports to the Performance Audit Committee.

4.2.7. INTERNAL AUDITOR

Planning	
2. Participates in the formulation of the annual audit plan.	
Monitoring	
Review	Reporting
<ol style="list-style-type: none"> Measures the performance of departments according to KPIs and performance targets set in the municipal scorecard and departmental scorecards. Assess the functionality of the PMS. Ensures that the system complies with the Act. Audit the performance measures in the municipal scorecard and departmental scorecards. 	<ol style="list-style-type: none"> Submit quarterly reports to the Municipal Manager. Submit quarterly reports to the Performance Audit Committee.

4.2.8 AUDIT COMMITTEE

Planning	
1. Participates in the formulation of the annual audit plan.	
Monitoring	
Review	Reporting
1. Review quarterly reports from the internal audit committee.	10. Reports quarterly to the municipal Council.



4.2.9 LOCAL COMMUNITY

Planning	
1. Participates in the formulation of the annual review programmes of the IDP, including the review of KPIs and performance targets.	
Monitoring	
Review	Reporting
1. Participate in the review of Municipal Performance Management System	1. Participate in the formulation of annual performance reports by making inputs



CHAPTER 5

PERFORMANCE MANAGEMENT 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.

STLM has chosen a “Balanced Scorecard Model” to be used as the model is envisaged to ensure that a balanced set of measures are employed that are not relying only on one facet of performance and therefore presenting a holistic assessment of the performance of the municipality.

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

5.1. Four BSM Perspectives

Koplan and Norton (the developers of balanced score card approach) moved beyond simply looking at financial measures to include additional perspectives that proves to be very useful for setting targets in the public sector. The balanced scorecard encompasses four perspectives that emanate from the vision and strategy of council. They are:

- Financial.
- Customer.
- Internal business.
- Learning and Growth.



The figure below describes the four BSC perspectives.

PERSPECTIVE	DEFINITION	LEADING QUESTION
Customer	The municipality must focus on how to satisfy internal and external clients' service needs	Is the organization delivering the services communities or its customers want?
Financial	The municipality must focus on how to meet service needs in an effective, efficient and economical manner	Is the service delivered at a good price?
Internal Business	The municipality needs to focus on those critical operations that enable them to satisfy citizens.	Can the organisation improve upon a service by changing the way a service is delivered?
Innovation, Learning and Growth	The organization's ability to improve and meet citizen demands ties directly to the employees' ability to meet those demands	Is the organisation maintaining technology and employee training for continuous improvement?

Figure 3: Balanced Score Card Perspectives

5.2. Implementation of BSM at different levels

There will be three basic levels of reporting and accountability within this model. This constitutes a slight adaptation of the traditional Balanced Scorecard Model to best suit the requirements of the Steve Tshwete Municipality. The reporting format at each level will be dependent on the needs and requirements of the municipality. These levels and the reporting formats and requirements are briefly indicated below:

ORGANISATIONAL LEVEL

At organisational level, the STLM will use the Balanced Scorecard Model as described above. This reporting will be regarded as the “highest” level of reporting and will be the performance reporting model utilized by Council for its performance assessment. The responsibility of reporting to council on the indicators set in this level will be that of the Municipal Manager.



DEPARTMENTAL LEVEL

The Various departments in the municipality, as headed by senior managers will make use of a Service Scorecard, which will be linking the municipal priority issues with the 5 national key performance areas. This will automatically then feed into the Council's BSM, which is also linked to the 5 National KPA's.

The level of detail contained within these scorecards will be greater than that of the Council's Scorecard and will be detailed enough to inform the specific KPI's, Targets and Actions of the Individual Work Plans. Further to this, the Core Competency Requirements as anticipated in the Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Managers (2006) will also be included in these Scorecards.

Due to the requirement of developmental local government enshrined in the Constitution and various other legislatures, the focus of this level of performance management, together with the organizational level, will be on developmental issues rather than operational matters

INDIVIDUAL LEVEL

The so-called Three Dimensional Model[®] will be used for all other employees (other than Departmental heads) in the organization. This model contributes significantly towards skills development and personal career pathing and should ultimately lead to increased productivity of the municipality.

It further starts shifting the focus of performance management away from developmental (strategic) matters, towards operational matters. Three aspects of individual performance management are balanced as part of this model. These three perspectives (objectives) are briefly described here:

Developmental Objectives

These objectives would serve greatly to inform the KPA's and objectives of the departmental managers, and as such, it would be it would be linked to



the KPI's of the departmental heads. The level of detail and refinement of targets and related actions would be greater than that of the Service Scorecard, and would become more specific as it is implemented at lower staff levels in the Municipality.

Operational Objectives

These objectives are the ones that are omitted at higher levels of performance management, but play a crucial role in the maintenance of service levels and standards. These objectives will assess the success of day to day activities which constitutes the working environment of the staff and the smooth operation of the municipality. The focus will be on service delivery standards and the continuation of that.

Skills Development Objectives

These objectives will measure the progress of the individual towards realizing his/her skills development as identified. These can also be referred back to each of the above groups of objectives, to assist in contributing towards career pathing of the individual and also the increase in productivity of the municipality due to skills development of each individual. Strong parallels will exist between these skills development objectives and the core competency requirements of the senior management.



Criteria for Good Indicators

In setting key performance indicators the following criteria should be taken into consideration:

Focused and Specific

Indicators should be clearly focused and stated unambiguously.

Measurable

An indicator should by definition contain a unit of measurement.

Valid and Relevant

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

Reliable

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

Simple

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

Minimise perverse consequences

Poorly chosen indicators, while nobly intended, can have perverse consequences in the behaviours it incentivises.

Data Availability

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



CHAPTER 6

THE PROCESS OF MANAGING INDIVIDUAL PERFORMANCE

Performance Management for Municipal Manager and Top Managers Reporting to the Municipal Manager

The efficacy of a performance management system is dependent on committing staff to the attainment of targets. This is done ensuring that staff signs performance instruments or agreements. Performance agreements are designed in partnership with management and those actually performing the work to a process for measuring performance and therein establish accountability. The agreements would state expectations for each party signing the agreement. They help improve communication with employees and stakeholders and make transparent the conduct of the municipality and individuals.

The highest level of individual performance management is dictated by the Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Managers (2006).

The management of performance on this level is documented to include a number of requirements. These will be briefly indicated here and includes:

Employment Contracts:

The municipal manager and managers directly accountable to municipal manager need to sign performance contracts in terms of the MSA Section 57. The signing of employment contracts is cascaded to the other two managerial levels which are levels 2 and 3.

The Managers contracts will be crafted in line with a standardized performance contract as prescribed by the 2006 regulations. Standardized contract is attached as **Annexure A**.



Employment Agreements:

The performance agreements between council and municipal manager, managers directly accountable to municipal managers and managers at levels 1, 2 & 3 need to be attached to the performance contracts. The purpose of such an agreement includes:

- Compliance with Section 57(1)(b), (4A) & (4B) and (5) of the MSA,
- Expectancy of employer of performance and accountability of employee in alignment with the IDP, SDBIP and budget,
- Specify accountabilities, objectives and targets for individuals contained in the performance plan, being an annexure to the performance agreement,
- Award employee for outstanding performance,
- Focus on performance orientated relationship between employer and employee.

Performance objectives

- These are detailed in the performance plan with targets and the related time frames.
- These are set by the employer in consultation with employees in terms of the IDP, SDBIP and Budget.
- The performance plans will include performance objectives, KPI's , targets and weightings
 - Performance objectives describe the main tasks that need to be done.
 - Key Performance Indicators are important measures of a performance and progress toward objectives.
 - Target refers to the timeframe (quantity subdivision).
 - Weighting shows relative importance of Performance objectives to one another.
- Section 25 (4) of the regulations: “The employee’s performance will, in addition, be measured in terms of contribution to the goals and strategies set out in the employer’s Integrated Development Plan”.



Evaluating Performance:

The Performance Agreements with management should include mechanisms for evaluating performance of these managers. These evaluation mechanisms need to address the following:

- The employee must agree to participate in the PMS of the municipality;
- Performance standards must be part of the system and is to assist the employer, management and staff;
- Employee should focus on projects that are part of the Key Performance Areas (KPA's) within the local government framework;
- Employee will be assessed on a 80:20 principle, 80% weighting allocated to KPA's and 20% to CCR's (Core Competency requirements);
- KPA's and its respective weightings are to be negotiated for managers directly accountable to the MM and managers at levels 1 to 3.

National KPA's on which a manager will be evaluated

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

The CCR's must be selected from the following (those that are deemed most critical and as agreed to in terms of needed proficiency level)

Core Competency Requirements for Employees (CCR)		
Core Managerial and Occupational Competencies	Indicate Choice	Weight
Core Managerial Competencies		
Strategic Capability and Leadership		



Programme and Project Management		
Financial Management	Compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving Analysis		
People Management and Empowerment	Compulsory	
Client Orientation and Customer Focus	Compulsory	
Communication		
Honesty and Integrity		
Core Occupational Competencies		
Competence in Self Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of developmental local government		
Knowledge of performance management and reporting		
Knowledge of global and South African specific political, social and economical context		
Competence in policy conceptualization, analysis and implementation		
Knowledge of more than one functional municipal field/discipline		
Skills in Mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		



Total Percentage		
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The performance plan must set out the standards and procedures for evaluation of employee's performance and intervals for these evaluations.

A Personal Development Plan (PDP) which must form part of this, must document any growth and development needs of employee.

Performance Evaluation Panel

- The annual performance evaluation panel for the MM includes:
 - Executive Mayor.
 - Chairperson of the audit committee.
 - Member of the Mayoral Committee.
 - Mayor and/or municipal manager from another municipality.
 - Director Development and Strategic Support (Secretariat services)
 - Member of the public
 - The annual performance evaluation panel for managers directly accountable to the MM includes:
 - Chairperson of the audit committee
 - Municipal Manager.
 - Member of the Mayoral Committee.
 - Municipal Manager from another municipality.
 - Director Development and Strategic support (Secretariat services).
 - The annual performance evaluation panel for level 1, 2 and 3 managers includes:
 - Municipal Manager.
 - Executive Director Corporate Service.
 - Relevant Executive Director.
 - Director Development and Strategic Support/ PMS Manager.
- NB. The secretariat services to be provided by the Executive Director: Corporate Service.



Performance Appraisals.

The annual performance appraisal which outcomes will be indicated in more detail later in this section must involve:

- ≈ Assessment of achievement of results outlined in performance plan (5 point scale scoring system for all KPA's).
- ≈ Assessment of CCR's (5 point scale scoring system also applicable).

Annual Performance Appraisals:

An applicable assessment-rating calculator is used to determine outcome of performance appraisals

- The following scale for assessment will be used:
 - 5 = Outstanding performance
 - 4 = Performance significantly above expectations
 - 3 = Fully effective
 - 2 = Performance not fully effective
 - 1 = Unacceptable performance
- Percentage scores are calculated by applicable assessment rating calculator
 - 1 = 33%
 - 2 = 66%
 - 3 = 100%
 - 4 = 133%
 - 5 = 166%
- Unacceptable performance, employer must provide systematic remedial development and support
- Termination of contract may be considered if no improvement takes place, after appropriate counseling and guidance and reasonable time for improvement



In conclusion, it must be emphasised that there are no definitive solutions to managing municipal performance. The process of implementing a performance management system must be seen as a learning process, where the Municipality must continuously improve the way the system works to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.