

# LEKWA LOCAL MUNICIPALITY



## PERFORMANCE MANAGEMENT SYSTEM POLICY FRAMEWORK

**“To be the leading, people centered Municipality excelling in economic growth, development and governance.”**

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# 1. ACRONYMS & DEFINITIONS

## Acronyms

AC	- Audit Committee
BSCM	- Balanced Scorecard Model
CR	- Competency Requirement
HOD	- Head of Department
IA	- Internal Audit
IDP	- Integrated Development Plan
KPI	- Key Performance indicator
KPA	- Key Performance Area
LLM	- Lekwa Local Municipality
MEC	- Member of the Executive Council
MFMA	- Municipal Finance Management Act
MM	- Municipal Manager
MMC	- Member of the Mayoral Committee
MSA	- Municipal Systems Act
MPAC	- Municipal Public Accounts Committee
PMS	- Performance Management System
PA	- Performance Agreement
PAC	- Performance Audit Committee
PE	- Performance Evaluation
SALGBC	- South Africa Local Government Bargaining Council
SDBIP	- Service Delivery and Budget Implementation Plan

## Definitions

Term	Definition
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. "What we do?"
Baseline	A previous measure of performance achieved in respect of a KPA or KPI that serves as a comparison point for purposes of tracking variations and improvement over time.
Impacts	The developmental results of achieving specific outcomes. "what we aim to change?"
Inputs	The resources that contribute to the production and delivery of outputs. "What we use to do the work"
Key performance indicator	It defines how performance will be measured along a scale or dimension to determine progress and achievement against the strategic objectives and KPAs and should ideally indicate a unit of measure
Outputs	The final products, or goods and services produced for delivery. "what we produce or deliver".
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. "What we wish to achieve?"
Predetermined objectives	Statements about the outcomes that the municipality wants to achieve as set out in the IDP towards achieving its strategic objectives
Performance agreement	An agreement as contemplated in terms of Section 56 of the MSA

Performance management	<p>Performance management is the purposeful and continuous process of ensuring that a set of activities and outputs meets an organization's goals in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, an employee, and the processes in place to manage particular tasks. It is a continuous process aimed at managing and developing employee behavior for the achievement of organizational objectives.</p> <p>The main goal of performance management is to ensure that the organization as a system and its subsystems work together in an integrated manner to achieve the goals and targets set for an organization.</p>
Performance Management System	<p>An authoritative framework for managing employee performance, which includes the policy framework as well as the framework relating to all aspects and elements in the performance cycle, including performance planning and agreement, performance monitoring, review and control, performance appraisal and moderating and managing the outcomes of appraisal.</p>
Section 56 employee	<p>An employee appointed in terms of section 56 of the MSA as a senior manager directly accountable and reporting to the Municipal Manager (Executive Managers and the Chief Financial Officer)</p>

## 2. INTRODUCTION

Performance Management is a process which measures the implementation of the organisation's strategy. It is a management tool used to plan, monitor, measure and assess performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the Municipality.

Performance Management is the practice of linking the long-term strategic objectives of an organisation to day-to-day performance by setting measurable performance indicators and monitoring performance against these indicators. When implemented correctly, performance management becomes an essential tool to monitor whether or not a municipality is on track to meet targets or serves as an early warning system to identify areas where improvement is required to enhance service delivery and as well as to recognise excellent performance.

The municipality delivers services essential to the well-being and development of the communities they serve. To ensure that service delivery is as efficient and economical as possible, municipalities are required to formulate strategic plans and allocate resources towards the implementation of those plans. It is also required that regular monitoring of implementation and the reporting of results must be undertaken. Reporting performance information is essential to focus the attention of oversight bodies and the public on whether municipalities are delivering value for money, by comparing a municipality's performance against its budgets and service delivery plans which can alert management and the executive to areas where corrective action is required.

The Constitution of South Africa (1996), Section 152, which deals with the objectives of local government paves the way for performance management as an accountable government. The democratic values and principles in terms of Section 195 (1) are also linked with the concept of performance management, with reference to the principles of inter alia:

- the promotion of efficient, economic and effective use of resources: accountable public administration; to be transparent by providing information; to be responsive to the needs of the community; and to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA), Act No. 32 of 2000, requires municipalities to establish a performance management system. In addition, the MSA and the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, requires that the Integrated Development Plan (IDP) be aligned to the municipal budget and be monitored for performance of the budget against the IDP by way of a Service Delivery and Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states 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."

This Performance Management System (PMS) Policy Framework therefore describes how the municipality's performance process, for the organisation as a whole, will be conducted, organised and managed. It also has the following objectives:

- (a) clarify processes of implementation;
- (b) ensure compliance with legislation;
- (c) demonstrate how the system will be managed;
- (d) define roles and responsibilities;

- (e) promote accountability and transparency;
- (f) Reflect the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

Effective performance management is fundamental to the delivery of services in a sustainable manner. Local government has achieved improvements in recent years, however, councils are recognising that there is a need to continue to develop and improve if further improvements are to be achieved.

Integrated development planning and performance management were introduced to realise the developmental role of local government. Whilst the IDP provides a framework for strategic planning and decision-making, performance management ensures that the desired results are achieved during implementation to ensure that the strategic direction of the municipality is achieved through objectives, strategies and projects put forward in the IDP.

Performance management is a strategic approach to management, which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to:

- regularly plan;
- continuously monitor;
- periodically measure; and
- review performance of the organisation in terms of indicators and targets for efficiency, effectiveness and impact.

The Performance Management System (PMS) entails a policy framework that describes and represents how the municipality's processes of performance planning, monitoring, measurement review, reporting and improvement will be conducted, organised and managed, including determining the different role players. This policy framework seeks to guide PMS for Lekwa Local Municipality. It also forms the basis for alignment between the IDP, Budget and SDBIPs, key performance areas and performance indicators of the various departments of the Municipality.

## 1.2 Objectives of Performance Management

A municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to measure 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:

- The PMS should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team;
- The PMS should facilitate learning in order to enable the Municipality to improve delivery;
- It is important that the system ensure decision-makers are timeously informed of performance related risks, so that they can facilitate intervention, if necessary; and
- The PMS should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources.

The objectives are also for the PMS to serve as a primary mechanism to effectively achieve and improve the overall performance of the Municipality's strategic objectives as set out in the IDP. Performance management drives the implementation of strategies, communicates the goals and objectives of the organization and reinforces individual

accountability to meet the goals and monitor organizational and individual progress on performance of the Municipality. It is a process where the organisation involves its employees in improving organisational effectiveness, through implementing, monitoring and achieving the organisation's strategic goals.

This document therefore constitutes the Lekwa Local Municipality's Performance Management Policy Framework. It has been reviewed to assist with performance management within the Municipality as per the MSA and the Municipal Planning and Performance Management Regulations (2001). This Framework, thus constitutes Lekwa's municipal policy document that defines and guides how its performance management system will be conducted, organized and managed with regards to:

- The requirements that a municipal performance management system must fulfill
- The principles that will inform its development and application
- Ensuring compliance with legislation
- A model that describes what areas of performance will be managed
- The setting of key performance indicators
- The processes to be followed in managing performance
- The necessary institutional arrangements, with defined roles and responsibilities
- Promoting accountability and transparency
- The links to Section 54A and 56 employees' performance agreements and how it will be managed

This framework provides a documented record of the Municipality's performance management system and processes and how it will be implemented. The Municipality has in the past years operated with a performance management framework that was approved in June 2013 and revised in October 2016. It has also relied on the legislated provisions to manage its performance. The recent audit outcomes has identified gaps in the current framework, thus the need for a further review of the performance management framework. This will also assist in more effectively assessing and evaluating the overall performance of the Municipality through a reviewed performance management framework for the Municipality.

### **3. LEGISLATIVE AND POLICY FRAMEWORK**

Legislative enactments which govern performance management in municipalities are found in various pieces of legislation. As outlined in Section 40 of the Municipal Systems Act of 2000, the Municipality must establish mechanisms to monitor and review its PMS in order to measure, monitor, review, evaluate and improve performance at organisational, departmental and individual 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, key performance areas, key performance indicators and performance targets are reviewed and that this review will form the basis for the review of the Municipal PMS and performance agreements of senior managers.

The PMS is informed by the following legislation:

- The Constitution of the Republic of South Africa, Act No. 108 of 1996 and as amended;
- Local Government: Municipal Systems Act, Act No. 32 of 2000 as amended;
- Local Government: Municipal Structures Act, Act No. 117 of 1998;
- Local Government: Municipal Finance Management Act (MFMA), Act No. 56 of 2003;
- Local Government: Municipal Planning and Performance Management Regulations, 2001 (R796 of August 2001);
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, (R 805 of August 2006);
- Local Government: Regulations on appointment and conditions of employment of senior managers (R21, January 2014)
- National Treasury: Framework for Managing Programme Performance Information, 2007;
- National Treasury: MFMA Circular 13 (Services Delivery and Budget Implementation Plan);
- National Treasury: MFMA Circular 63 (Annual Report: Guidelines - update);
- National Treasury: MFMA Circular 65 (Internal Audit and Audit Committee);
- National Treasury: MFMA Circular 32 (The Oversight Report); and
- The White Paper on Transforming Public Service Delivery (Batho-Pele) (1997).

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

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

Although it is not considered necessary to go into detail in respect of all the legislation it is important to give a brief overview of the most important legislative provisions set out in:

- The Local Government: Municipal Systems Act, Act No. 32 of 2000 as amended;
- The Municipal Planning and Performance Management Regulations of 2001;
- The Local Government: Municipal Finance Management Act, Act No. 56 of 2003; and
- The Municipal Performance Regulations of 2006 for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006 (R805).

Summaries of the legislative provisions relating to organisational performance management are the following:

<b>Constitution of the Republic of South Africa, 2006</b>	
Section 152 mandates local government to:	<ul style="list-style-type: none"> <li>➤ Provide democratic and accountable government for local municipalities</li> <li>➤ Ensure the provision of sustainable municipal services to communities</li> <li>➤ Promote social and economic development</li> <li>➤ Promote a safe and healthy environment</li> <li>➤ Encourage the involvement of communities in the affairs of local government</li> </ul>
<b>BATHO PELE PRINCIPLES</b>	
	<ul style="list-style-type: none"> <li>➤ <b>Consultation</b> - Citizens should be consulted about the level and quality of the public services they receive and, wherever possible, should be given a choice about the services that are offered.</li> <li>➤ <b>Service Standards</b> - Citizens should be told what level and quality of public services they will receive so that they are aware of what to expect.</li> <li>➤ <b>Access</b> - All citizens should have equal access to the services to which they are entitled.</li> <li>➤ <b>Courtesy</b> - Citizens should be treated with courtesy and consideration.</li> <li>➤ <b>Information</b> - Citizens should be given full, accurate information about the public services they are entitled to receive.</li> <li>➤ <b>Openness and Transparency</b> - Citizens should be told how national and provincial departments are run, how much they cost and who is in charge.</li> <li>➤ <b>Redress</b> - If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response.</li> <li>➤ <b>Value for money</b> - Public services should be provided economically and efficiently in order to give citizens the best possible value for money.</li> <li>➤ <b>Encouraging Innovative and Rewarding Excellence</b> - Recognise individual and team performance.</li> <li>➤ <b>Customer Impact</b> - Inform citizens about their rights in terms of Batho Pele.</li> </ul>
<b>Municipal Systems Act (MSA), 32 of 2000</b>	
Chapter 6 of the MSA provides briefly that a municipality must:	<ul style="list-style-type: none"> <li>➤ Develop a performance management system commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its integrated development plan;</li> <li>➤ Promote a performance culture among political structures, political office bearers and councilors and in its administration;</li> <li>➤ Administer its affairs in an economical, effective, efficient and accountable manner;</li> <li>➤ The Executive mayor must manage the development of the municipality's performance management system, assign responsibilities in this regard to the municipal manager and submit the proposed system to the municipal council for adoption;</li> <li>➤ A Performance Management System must be able to: <ul style="list-style-type: none"> <li>- Set Key Performance Indicators (KPIs) as a yardstick for measuring performance</li> <li>- Set measurable performance targets with regard to development priorities and objectives</li> <li>- With regard to development priorities and objectives and against key performance indicators and targets monitor, measure and review at stipulated timeframes its performance based on indicators linked to the IDP</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- Monitor and review performance at least once a year</li> <li>- Take steps to improve performance</li> <li>- Report on performance to internal and external stakeholders including organs of state</li> <li>- Conduct an internal audit of all performance measures on a continuous basis</li> <li>- Have the annual performance report audited by the Auditor-General</li> <li>- Publish an annual performance report as part of its annual report</li> <li>- Involve the community in setting indicators and targets and in reviewing municipal performance</li> </ul>
<b>Municipal Planning and Performance Regulations, 2001</b>	
<p>In summary, the Regulations provide that a municipality's performance management system must:</p>	<ul style="list-style-type: none"> <li>➤ 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, organized and managed, including determining the roles of different role-players;</li> <li>➤ Comply with the requirements of the MSA</li> <li>- Demonstrate how it is to operate and be managed from the planning up to the performance reporting stages</li> <li>- Clarify the roles and responsibilities of each role-player including the local community in the functioning of the system</li> <li>- Clarify the processes of implementing the system within the framework of the integrated development planning processes</li> <li>- Determine the frequency of reporting and the lines of accountability for performance</li> <li>- Relate to the municipality's employee performance management processes</li> <li>- Provide procedure by which the system is linked to the municipality's integrated development planning processes</li> <li>➤ Adoption of a performance management system that must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan</li> <li>➤ Annually review its KPIs</li> <li>➤ Set performance targets for each financial year</li> <li>➤ Report on the nationally prescribed general key performance indicators</li> <li>➤ Review key performance indicators</li> <li>➤ Monitor, measure and review performance and report on performance to Council at least twice a year</li> <li>➤ As part of the internal audit process to audit the results of performance measurement</li> <li>➤ Appoint a performance audit committee</li> </ul>
<b>Municipal Finance Management Act, 56 of 2003</b>	
<p>The MFMA contains various important provisions relating to performance management and requires municipalities to:</p>	<ul style="list-style-type: none"> <li>➤ Sections 16 (2) &amp; 17 (3) state that an annual budget be tabled, approved and submitted to National Treasury. This budget must be accompanied by the following documents:</li> <li>➤ Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan</li> <li>➤ Any proposed amendments to the municipality's IDP following the annual review of the IDP in terms of S34 of the MSA</li> <li>➤ Section 53 (1) provides for general political guidance over the budget process, coordination of the annual review of the IDP and that a municipality's SDBIP is approved within 28 days after the approval of the budget and that the</li> </ul>

	<p>annual performance agreements of section 54A and section 56 managers be concluded to comply and promote sound financial management and is linked to the measurable performance objectives approved with the budget and to the SDBIP</p> <ul style="list-style-type: none"> <li>➤ Section 54 prescribes measures to be taken by the Mayor in relation to budgetary control and early identification of financial problems. S54 (1) (c) also provides for the revision of the service delivery and budget implementation plan (SDBIP), if necessary and following the adjustment of the budget at mid-year, with Council approval.</li> <li>➤ The Act further provides that the municipality must:</li> <li>➤ Annually adopt service delivery &amp; budget implementation plan annually, which must indicate quarterly service delivery targets and performance measures.</li> <li>➤ Establish the Audit (Performance) Committee to advise Council, its structures and the management on performance management and evaluation.</li> <li>➤ Compile an annual report, which must, amongst other things, include the municipality's performance report compiled in terms of the MSA and regulations.</li> </ul>
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**Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Managers, 2006**

- This legislation regulates the management of the section 54 and section 56 employees of a municipality by providing an outline of employment contracts, performance agreements, performance plans, employee development and empowerment measures and performance evaluation processes. These regulations further provide criteria for performance assessment and the 5 point rating scale upon which the performance of an individual needs to be scored during assessment and evaluation and to manage evaluation outcomes for rewarding outstanding performance or correcting unacceptable performance

**National Treasury: Framework for Managing Programme Performance Information, 2007**

According to the Framework for Managing Programme Performance Information (2007)<sup>42</sup> performance information needs to be structured to demonstrate clearly how government uses available resources to deliver its mandate. These also need to be identified and monitored so that risks can be managed and corrective action can be taken. In managing for results, budgets are developed in relation to inputs, activities and outputs, while the aim is to manage towards achieving the outcomes and impacts. Well-defined strategic goals and objectives provide a basis from which to develop suitable programmes and projects, as well as appropriate indicators.

According to the Framework performance information needs to be structured to demonstrate clearly how government uses available resources to deliver its mandate. These also need to be identified and monitored so that risks can be managed and corrective action can be taken. In managing for results, budgets are developed in relation to inputs, activities and outputs, while the aim is to manage towards achieving the outcomes and impacts. Well-defined strategic goals and objectives provide a basis from which to develop suitable programmes and projects, as well as appropriate indicators.

Guidelines provided in this framework are to be used by municipalities to ensure that programmes, projects and processes are effectively planned, reviewed, monitored and reviewed

## 4. PURPOSE OF THE POLICY FRAMEWORK

The Municipal Systems Act of 2000 and the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers of 2006, provide for the establishment and implementation of a performance management system for each and every municipality in South Africa. In order to comply with legislation and to improve on good governance and service delivery it is essential for the municipality to adopt a policy framework which will deal with how to implement performance management. The performance policy framework gives guidance in terms of the municipality's cycle and processes of performance planning, monitoring, and measuring, reviewing, reporting, auditing and quality assurance. The Performance Management Policy framework also provides guidance in the way the Municipality will collect, present and use performance information. It is a practical plan, made up of mechanisms and processes for the Municipality to collect, process, arrange, classify, examine and evaluate, audit, reflect on and report performance information. These mechanisms and processes work in a cycle which is linked to the Municipality's IDP and budgeting cycle.

The framework aims to:

- Clarify definitions and standards for performance information in support of regular audits of such information where appropriate
- Improve integrated structures, systems and processes required to manage performance information
- Define roles and responsibilities for managing performance information
- Promote accountability and transparency by providing Parliament, provincial legislatures, municipal councils and the public with timely, accessible and accurate performance information.

### 4.1 PRINCIPLES GUIDING THE DEVELOPMENT AND IMPLEMENTATION OF PMS

In developing a performance management system, the Municipality must be guided by the following principles:

- (a) Both development and implementation of the system must be driven by Council and the executive management
- (b) The system must be owned by all relevant stakeholders within the municipality and be supported by other spheres of government
- (c) The Communication must occur at all levels on an on-going basis
- (d) The value of PMS must be understood by all role-players and stakeholders
- (e) The system must place the community at the center of local government processes
- (f) The system must be developmental and not punitive in nature
- (g) Allow space for creativity and innovation in performing and improving duties and functions
- (h) The system must be developed and implemented within the available capacity and resources of the municipality
- (i) The system should align to other municipal initiatives, systems and processes
- (j) The system must provide career, learning and growth opportunities through coaching and review processes.

The PMS must be implemented in such a manner that it:

- (a) Provides a clear and detailed framework for:
  - (i) Reaching
  - (ii) A set of clear
- (b)
- (c) Provides a clear and detailed framework for:
  - (i) Reaching agreement on performance contracts
  - (ii) A set of clear and appropriate KPIs, targets and standards that are agreed upon to measure performance against expected outcomes and impact on the Municipality's developmental priorities
  - (iii) A set of measurable targets for each of the municipal development priorities
  - (iv) Measures to monitor performance at least once a year
  - (v) Steps to improve performance on the municipal development priorities when needed.
  - (vi) A balance between organizational needs and employee right
- (d) Allows for joint responsibility and accountability based on mutual trust and respect
- (e) Is cost-effective and practical while enhancing improvement on quality
- (f) Is applied consistently and documents and records both formal and informal feedback
- (g) Is applied equitably and fairly
- (h) Allows for honesty and transparency in its application
- (i) Provides clear linkages between performance, recognition and reward
- (j) Provides a clear guide on dealing with poor or non-performance
- (k) Focuses on critical work activities

## 5. KEY ROLE PLAYERS AND CRITICAL TIMELINES

Over and above the different processes that Lekwa Local Municipality will be using to implement its Performance Management Policy Framework, it is important to understand the duties, roles and responsibilities of the different stakeholders and role players in the various processes that together constitute part of the PMS framework. It is important that the accountabilities and relationships and priorities of the various role players are set out to ensure that there is a complete understanding of the participation, consultation and involvement for maximum inputs and success of PMS. The following table outlines the key responsibilities of each of the role-players during the various processes within the framework:

Table: Key role-players

<b>PROCESS</b>	<b>WHO/STRUCTURE</b>	<b>RESPONSIBLE PERSONS TO ASSIST WITH FUNCTION</b>	<b>TIMEFRAME</b>
<b>PERFORMANCE PLANNING</b>	Communities Council Mayoral Committee Management Organised Labour Employees	Councillors Executive Mayor Ward Committee Municipal Manager	Concurrent with IDP development of priorities, strategic objectives, indicators and target setting and budget planning
<b>MEASURING</b>	Communities Council Mayoral Committee Management Organised Labour Employees	Councillors Ward Committees Executive Mayor Municipal Manager Manager PMS	Concurrent with development of priorities and objectives of IDP
<b>MONITORING</b>	Communities Council Mayoral Committee Management Organised Labour Employees	Councillors Ward Committees Municipal Manager Section 56 managers Manager PMS Divisional managers	Continuously
<b>REVIEWING</b>	Municipal Manager Managers Internal Audit Mayoral Committee Audit Committee Council	PMS Management Municipal Manager COGTA Auditor General	Quarterly July October January April
<b>REPORTING</b>	Municipal Manager Management Internal Auditors Audit Committee Council Employees	PMS, Management and Municipal Manager  COGTA  Auditor General	Quarterly and annually July October January April

It is also important to further clarify the roles and responsibilities of the various structures and those responsible for the various functions and activities.

<b>DESIGNATION</b>	<b>ROLE</b>	<b>RESPONSIBILITIES</b>
Municipal Council	Approval and Oversight	Adopts the PMS framework Adopts priorities and strategic goals and objectives of the IDP

DESIGNATION	ROLE	RESPONSIBILITIES
		<p>Adopts the Municipality's organizational strategy that includes strategic objectives, KPI and performance targets</p> <p>Adopts the SDBIPs and signed performance agreements of section 54A and 56 managers</p> <p>Approves quarterly and annual performance reports</p> <p>Approves the review of KPIs and targets</p> <p>Approves changes to priorities, KPIs and targets</p> <p>Reports municipal performance to its communities</p>
Executive Mayoral Committee	Oversight	<p>Oversees the development and review of the municipality's performance management system</p> <p>Assigns the responsibility of PMS development to the Municipal Manager</p> <p>Submits the PMS framework to council</p> <p>Submits the priorities and objectives of the IDP to council</p> <p>Approves the SDBIP</p> <p>Assigns the responsibility for management of the PMS to the Municipal Manager</p> <p>Quarterly evaluates the performance of the municipality</p> <p>Conducts performance reviews of the Municipal Manager</p> <p>Approves implementation of Internal audit recommendations in performance and the PMS</p>
Ward Committees/ Communities	Participatory	<p>Participate in the formulation of proposals for performance improvements</p> <p>Advises on priorities and objectives of the IDP</p> <p>Participates in the drafting and implementation of the IDP</p> <p>Participates in the monitoring, measurement and review of the municipality's performance</p> <p>Discuss the development, implementation and review of the municipality's PMS</p> <p>Monitors the municipality's performance</p> <p>Participates in the development of the KPIs</p> <p>Reports to the Mayor recommendations for the improvement of the PM System</p> <p>Participate in the annual review of performance</p>
Municipal Manager	Monitoring	<p>☑ Manages the development of the performance management function and framework</p> <p>☑ Ensures that the SDBIP (organisational scorecard) linked to the IDP and budget is developed</p>

DESIGNATION	ROLE	RESPONSIBILITIES
		<ul style="list-style-type: none"> <li>☑ Ensures the implementation of the provision of the PMS framework</li> <li>Enters into a performance agreement with the Executive Mayor annually</li> <li>Conducts performance reviews of section 56 managers</li> <li>☑ Receives quarterly and annual audited performance reports from Internal Audit</li> <li>☑ Submits all necessary reports on performance to the Mayoral Committee and Council</li> </ul>
Senior Management	Implementer	<ul style="list-style-type: none"> <li>☑ Set KPIs and targets assigned across functions with their respective departments</li> <li>☑ Ensure that plans are in place to meet set targets</li> <li>Enters into a performance agreement with the Municipal Manager annually</li> <li>Ensures that the performance objectives in the performance agreements are achieved</li> <li>☑ Implements performance improvement measures approved by the Mayor and Council</li> <li>☑ Provides quarterly performance information reports against the organisational scorecard</li> <li>☑ Prepare and submit evidence for all performance information reported on</li> </ul>
Performance Manager	Establish, monitor and control	<ul style="list-style-type: none"> <li>☑ Establish a performance management system for the municipality</li> <li>• Ensure compliance with the legislative requirements in developing the PMS framework</li> <li>☑ Promote a culture of performance management within the Municipality among political structures, political office bearers and councilors and its administration.</li> <li>☑ Administer the PMS in an economical, effective and efficient and accountable manner</li> <li>☑ Establish a framework which demonstrates the operation and management of Performance Management</li> <li>☑ Ensure PMS links to the Integrated Development Planning processes</li> <li>☑ Ensure that key performance indicators and targets in respect of development priorities and objectives are set</li> <li>☑ Ensure community participation in the various performance management processes</li> </ul>

DESIGNATION	ROLE	RESPONSIBILITIES
		<ul style="list-style-type: none"> <li>☑ Obtain quarterly performance information reports on progress against targets set in the organisational scorecard</li> <li>☑ Review KPIs annually</li> <li>☑ Develop and implement mechanisms, systems, and processes for monitoring, measurement and review of performance</li> <li>☑ Establish a process of regular reporting to council, political officer bearers and staff, the public and appropriate organs of the state</li> <li>☑ Prepare and submit quarterly and annual reports on organisational performance</li> <li>☑ Ensure that an early warning system is in place to detect indications of under-performance</li> <li>☑ Ensure corrective measures for under-performance have been identified and is implemented</li> </ul>
<b>Internal Audit</b>	<b>Monitor and review</b>	<p>Assess functionality of the PMS</p> <p>Ensure the system complies with related legislation and regulations</p> <p>Determine whether the performance measurements are reliable in measuring performance</p> <p>Continuously audit the performance measurements of the municipality</p> <p>Annually audit the results of performance measurement</p> <p>Submit quarterly reports on the audits to the Municipal Manager and the Audit Committee</p>
<b>Audit Committee</b>	<b>Oversight review</b>	<p>Must meet at quarterly during a financial year</p> <ul style="list-style-type: none"> <li>☑ Receive and review quarterly reports</li> <li>☑ Review the Municipality's performance management system and make recommendations to council</li> <li>☑ Submit an audit report quarterly to council during a financial year</li> </ul>

## 6. PERFORMANCE MANAGEMENT SYSTEM FRAMEWORK

The Municipality's Performance Management includes 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 and stakeholders.

The framework further integrates planning and reporting processes in the Municipality and how it filters to departmental and individual level for senior managers.

On the same note, it can be highlighted that the framework assists the Municipality in establishing a culture in which individuals and departments take responsibility for the delivery against set targets and indicators. It also helps to focus the organisation on the types of skills that employees must have and may require to in order to deliver against targets and indicators at an acceptable level.

The Municipality's performance management framework is based on cyclical processes that also aims to encourage understanding and buy-in by Council, employees and key stakeholders and roleplayers of the key strategic priorities. By the same token, the process will assist staff members to understand their individual and team role in ultimately meeting the objectives as set by Council.

### 3.1 PERFORMANCE MANAGEMENT PROCESS

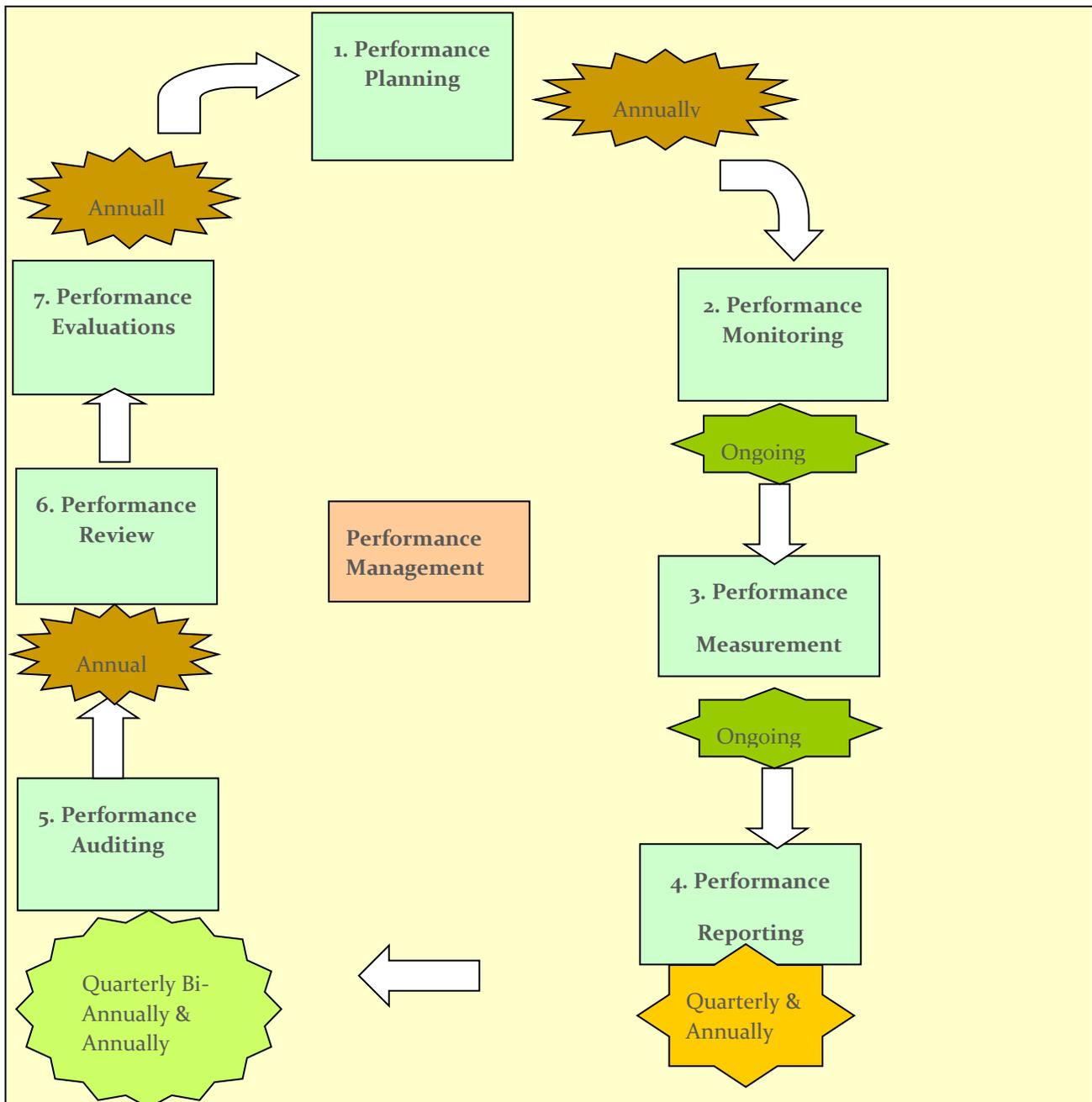
The following steps and ongoing requirements of the performance management process will be considered and adhered to, to ensure that legal and PMS operational requirements are met.

Figure 2: Lekwa Local Municipality's Performance Management Processes

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.

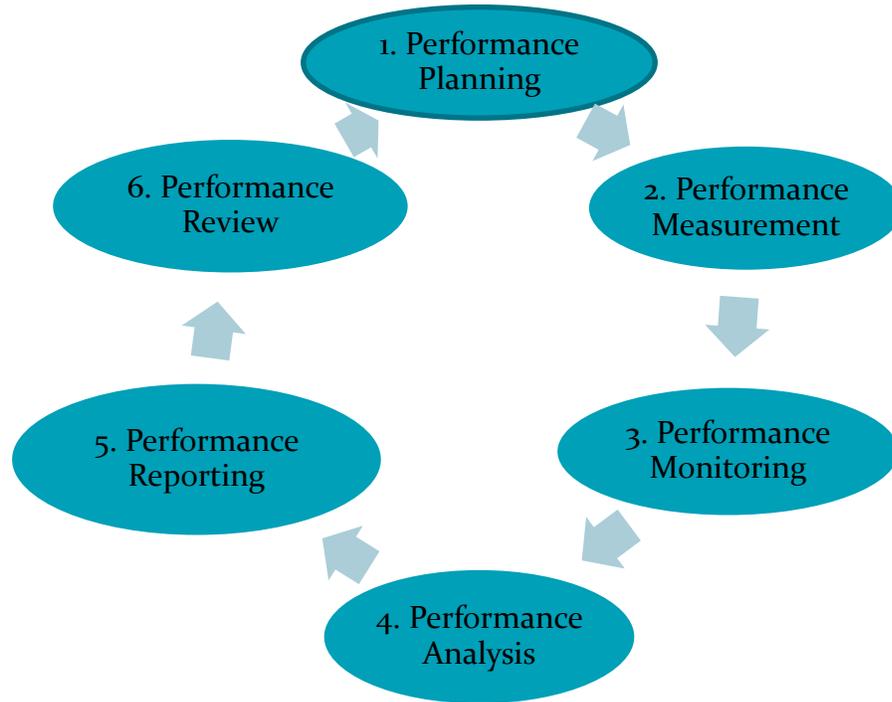
## 6.1 WHAT IS PERFORMANCE MANAGEMENT

The Municipality must develop, as part of the 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.



## Components of Performance Management Framework

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



Performance management is defined as a strategic management process, or system of management, which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of an organisation in terms of indicators and targets for efficiency, effectiveness and impact. It describes and represents the cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement and how these cycles and processes will be conducted, organised and managed according to developed and implemented mechanisms, systems and processes for monitoring, measurement and review of performance in respect of key performance indicators and targets as set.

Performance measurement involves determining the extent to which objectives are being achieved through developing indicators and linking them to targets and related standards. A performance measurement framework

is a practical plan for an organisation to collect, process, organise, analyse, audit, reflect and report on performance information.

A performance measurement model is the system that is used to monitor, measure and review performance indicators within a performance management framework. It is a choice about what aspects or dimensions of performance will be measured. It implies the grouping together of indicators into logical categories or perspectives as a means to enhance the ability of an organisation to manage and analyse its performance.

## 6.2 THE VALUE OF A PERFORMANCE MANAGEMENT SYSTEM

The value of a performance measurement model can be summarized as follows:

- (a) Models simplify otherwise lengthy lists of indicators by organising them into perspectives which will sufficiently represent effective performance according to groupings of related indicators;
- (b) Models assist in aligning the relationship between areas of performance when planning, evaluating and reporting;
- (c) Models help align strategic planning and performance management by directly linking key performance areas to priority areas in the strategic plan, in the case of municipalities, it is the IDP;
- (d) Having a clear model allows a municipality to agree on what areas of performance should be integrated, managed and measured and what values should inform indicators and standards of achievement, based on the context that best fits the municipality.

## 6.3 BENEFITS OF PERFORMANCE MANAGEMENT

Adopting a performance management system is beneficial in that it identifies major or systematic blockages on time, ensures accountability between the municipality's political leadership, its administration and its residents and also provides early warning signals for underperformance so that corrective action can be taken on a regular basis. This policy is applicable to all Municipal employees and therefore the provisions of this policy shall be included in the relevant performance management contract of all staff appointed into their specific positions.

## 6.4 CRITERIA OF A GOOD PERFORMANCE SYSTEM

The following characteristics should guide the choice of a performance model:

- (a) It must be simple to develop and its implementation must be able to be cascaded to the lower employee levels with ease and must be easy to replicate at all other levels;
- (b) The model must ensure that there is a balance in the set of indicators being compiled;
- (c) The balance created by the model must encompass all relevant and priority areas of performance;
- (d) The key performance area perspectives must be aligned to the IDP objectives;
- (e) The model must be able to timeously diagnose blockages in the system; and
- (f) It must be easy to integrate with other municipal systems and processes.

## 7. THE MUNICIPAL BALANCED SCORECARD MODEL

### 7.1 THE MUNICIPAL BALANCED SCORECARD PERFORMANCE MODEL

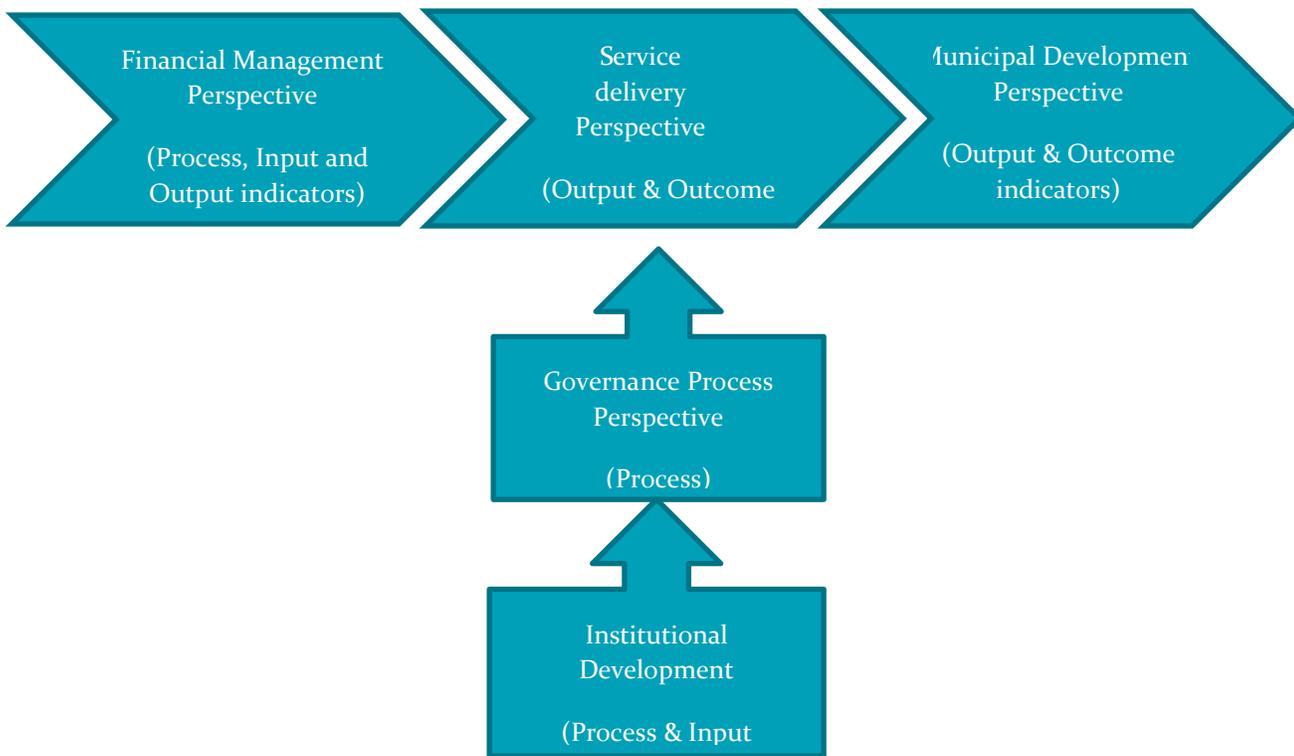
The Municipal Balanced Scorecard Model (BSCM) requires the use of scorecards as a systematic approach to assessing internal results that ensures that there is a balance in the set of indicators being compiled. It has been developed as a means to measure performance by combining both financial and non-financial indicators to create a balance between financial and other critical functional areas in the Municipality. By combining financial and non-financial indicators in a single report, the Balanced Scorecard aims to provide managers with richer and more relevant information about the activities being managed than can be provided by financial indicators alone. The Balanced Scorecard model groups indicators into four perspectives namely the financial, customer, internal and learning and growth perspectives. Within the municipal context, the Balanced Scorecard has to be adapted to measure performance within developmental areas that are relevant to municipal service delivery and local government. Strategic planning through the IDP requires that municipalities must align their key performance areas around all the areas that cut across every functional area of a municipality. The municipal scorecard will measure the Municipality's performance according to the following perspectives as aligned to the following Key Performance Areas relevant to a specific Department:

- (a) **KPA: Local Economic Development: Municipal Development Perspective:** to assess whether the desired development indicators around the performance areas of social and economic development are being achieved;
- (b) **KPA: Basic Service Delivery: Service Delivery Perspective:** to assess the municipality's performance in the overall delivery of basic and infrastructural services and products;
- (c) **KPA: Municipal Transformation and Organisational Development: Institutional Development Perspective:** it relates to input indicators that measure the functioning of the municipality in areas such as human resources, strategic planning and implementation, performance management and all other indicators that seek to develop and manage the municipal institution;
- (d) **KPA: Financial Viability and Management: Financial Management Perspective:** to measure the municipality's performance with respect to the management of its finances;
- (e) **KPA: Good Governance and Public Participation: Governance Process Perspective:** measures the municipality's performance in relation to its engagements with its stakeholders in the process of governance structures and good municipal governance processes.
- (f) **KPA: Spatial Rational: Service Delivery Perspective:** to lead, direct and manage the spatial, built and natural environment to ensure a spatial planning system that is sustainable and enhances integrated growth and development.

The Performance Management framework to be adopted by Lekwa Local Municipality is that of the Municipal Balanced Scorecard which sets out:

- (a) The objectives and benefits of a performance management system;
- (b) The principles that will inform the development and implementation of the system;
- (c) The preferred performance model that describes what areas of performance will be measured;
- (d) The process by which the system will be managed;
- (e) The roles and responsibilities of different stakeholders; and (f) The process of managing employee performance

Figure 1: The 5 Perspectives of the Municipal Balanced Scorecard



## 7.2 IMPLEMENTATION OF THE MUNICIPAL BALANCED SCORECARD

In looking at the Municipal Balanced Scorecard Model, a two-level scorecard approach is proposed. The strategic or organisational scorecard will reflect KPAs, objectives, indicators and targets at a strategic level and will align directly with the IDP priorities. This scorecard will follow along the lines of the SDBIP, but will not have the monthly financial cash flow projections and the ward level projects. The second scorecard will be a service or departmental scorecards and this level of scorecards will reflect objectives, indicators and targets at a departmental level. This scorecard will also form the basis for the development of the individual scorecards of the section 57 managers. The two levels of scorecards will become the organisational Municipal Balanced Scorecard Performance Management

System of Lekwa Local Municipality. All reporting on the municipality’s performance will be informed by information derived from the two-level scorecard and reflect the municipality’s performance on the five perspectives. In respect of the organisational scorecard, the recipients will be the Executive Mayor and Mayoral Committee, the Council and the community, while the departmental scorecard recipients will be the Executive Mayor, Council Committees, Municipal Manager, Heads of Departments and Divisional Managers.

### 7.3 DEVELOPING THE ORGANISATIONAL SCORECARD AND ITS CONCEPTS

With the IDP process, the municipal vision and mission formulated and reviewed as required and according to changes in circumstances. Lekwa Local Municipality using the broad Key Performance Areas (KPAs), strategic objectives and key performance indicators (KPIs) must fit into the Municipality’s vision and mission. It is now necessary to take this process further into the performance management system, by developing an organisational or strategic scorecard that will encompass all the relevant areas that will allow measurement of the performance of the Municipality. This will be done by using relevant concepts to populate the organisational and departmental scorecards of Lekwa Local Municipality. The process of developing the organisational and departmental scorecards will follow every year after adoption of the IDP and the budget and after evaluation of the previous year’s organisational scorecard and municipal performance. The table below illustrates the components of the organisational scorecard:

Table: Organisational Scorecard Concepts

Component 1	Outline the National Key Performance Areas (KPAs)
Component 2	Define Strategic Objectives
Component 3	Develop suitable Key Performance Indicators (KPIs)
Component 4	Provide baseline information
Component 5	Set annual target for each KPI
Component 6	Indicate annual budget for each KPI
Component 7	Indicate quarterly targets to be met arising out of each of the set annual targets
Component 8	Indicate strategic focus area within functional priority area (Responsible Department)
Component 9	Indicate ward information

#### 7.3.1 Component 1: Setting out National Performance Areas (KPAS)

Outlining KPAs is the first step in the performance management process. Accordingly, municipalities are required to cluster priority issues identified during the IDP development and review processes around the following KPAs:

- Basic Service Delivery
- Municipal Transformation and Organisational Development
- Local Economic Development
- Financial Management and Viability
- Good Governance and Public Participation
- Spatial Rational

### 7.3.2 Component 2: Defining Strategic Objectives falling under each KPA

Out of the IDP, the strategic objective elements will be clustered within each of the broad KPAs, which will be aligned to the relevant department within which the KPA falls as a statement of intent. It is a series of elements of the vision or mission of the Municipality that must be further broken down into manageable and realistic quantities.

### 7.3.3 Component 3: Developing Suitable Key Performance Indicators (KPIs)

In this component it is necessary to determine KPIs, which define what needs to be measured in order to gauge progress towards achieving the development objectives discussed in Component 2. KPIs must be measurable, relevant, simple and precise. KPIs simply define how performance will be measured along a scale of dimension, typically either as a number or unit of measure. KPIs are also used for the following:

- ✓ to communicate the achievements and results of the Municipality against what was planned;
- ✓ determine whether the Municipality is delivering on its developmental mandate;
- ✓ to indicate whether the organisational structure of the Municipality is aligned to deliver on its developmental objectives;
- ✓ to promote the accountability of Council to its electorate;

Types of Indicators:

**Input Indicators:** These indicators are typically cost related. As the name suggests, it literally measures what inputs have been made towards achieving the objective and are most relevant to the day-to-day operations of a municipality. Examples of input indicators include costs, equipment, human resources, time, etc.

**Process Indicators:** These indicators describe how well municipalities use their resources in producing services. These cover the activities and operations that convert inputs into outputs. These are essentially internal types of indicators.

Before the KPIs are set, municipalities are expected to identify the KPIs that require performance measuring and improvement. Once this is done, a municipality will develop KPIs and performance targets with regard to each KPA and development objectives.

A KPI must be consistent with the SMART principle of being specific, measurable, attainable, and relevant and time bound.

In understanding and testing of the internal policies, procedures and controls related to the management of performance information and the testing of systems and controls relevant to collecting, monitoring and reporting performance information, as part of the approach to the audit of predetermined objectives, the following must be taken into consideration:

- Compliance with reporting requirements in terms of the existence, timeliness and presentation of performance information
- Its usefulness in terms of measurability, relevance & consistency and
- Reliability in respect of validity, accuracy and completeness.

In terms of Regulation 10 of the Municipal Planning and Performance Management Regulations, 2001, all municipalities must report on the general national KPIs by the end of a financial year. The reason why it is important to incorporate the national KPIs into the municipality's set of measures is to:

- ✓ Ensure accountability
- ✓ Direct municipalities to focus on national goals and priorities
- ✓ Measure the impact of municipalities on national transformation, development and service delivery programs
- ✓ Enable benchmarking and create the basis for performance comparison across municipalities
- ✓ Bring some uniformity in the system by ensuring that there is commonality of measures in performance evaluation across municipalities.

The seven (7) general KPIs are provided for in Regulation 10 of the 2001 Planning Regulations and are listed below:

- i. The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- ii. The percentage of households earning less than R1,100 per month with access to free basic services;
- iii. The percentage of the municipality's capital budget actually spent on capital projects identified for a particular year in terms of the municipality's IDP;
- iv. The number of jobs created through the municipality's local economic development initiatives including capital projects;
- v. The number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan;
- vi. The percentage of the municipality's budget actually spent on implementing its workplace skills plan; and
- vii. The municipality's financial viability as expressed by the ratios for debt coverage, outstanding service debtors to revenue and cost coverage.

#### 7.3.4 Component 4: Provide Baseline Information for each KPI

The next step is to determine the baseline indicator for each set KPI. A baseline indicator is the value (or status quo) of the indicator prior to the period for which performance is to be monitored and reviewed for the year.

#### 7.3.5 Component 5: Set Annual Targets for each KPI

In this step annual performance targets must be set for each identified KPI. Performance targets should also comply with the SMART principle.

Target dates for the completion of actions to achieve the set annual performance targets should be set in conjunction with the Departments responsible for its achievement. It is important to be realistic

in the setting of targets. If realistic targets are not set the municipality will create false expectations and also set its employees up for failure.

#### 7.3.7 Component 6: Outline Quarterly Targets

This step is about unpacking each of the annual targets and dividing them into quarterly targets. Provision must be made in the organisational scorecards for targets to be met in respect of the first, second, third or fourth quarter.

#### 7.3.6 Component 7: Indicate Annual Budget

In order to ensure that objectives and targets are met efficiently and economically, resource allocations must be done in line with the approved budget.

#### 7.3.8 Component 8: Indicate Portfolio of Evidence

This component requires the submission of a file or document as a clear “paper trail” that serves as proof of the execution of a specific project, programme or activity as reported during a specific period or quarter. It can include documents, pictures or any other form of evidence to confirm actuals being reported. This strengthens reporting as it backs up clear, concise and validated information provided.

#### 7.3.9 Component 9: Indicate Ward Information

As aligned to information that is required in terms of the SDBIP, information of wards, especially in respect of service delivery matters must also be reflected in the scorecard.

#### 7.3.10 Component 10: Departmental Functional Priority Area

Out of the IDP, the strategic priority areas are indicated within each KPA and aligned across the various Departments. This enables a clear indication of who is responsible for performing which functions towards achieving the Municipality’s objectives.

A template of the Organisational Scorecard with all the above components is illustrated in the template attached as Appendix 1.

## 8. THE PROCESS OF MANAGING ORGANISATIONAL PERFORMANCE

The MSA places responsibility on the Council to adopt a Performance Management System, while holding the Executive Mayor responsible for the development and management of the system. The Executive Mayor of Lekwa Local Municipality delegates the responsibility for the development and management of the PMS to the Municipal Manager. The development of the system is a once-off activity and the Municipal Manager submits the system to the Executive Mayor, who in turn forwards it to the full Council for approval. The responsibility of implementation and management of the system remains with the Municipal Manager as part of the core functions as provided in section 55(1) of the MSA.

## 8.1 CO-ORDINATION

The co-ordination of PMS by the unit manager involves the overall responsibility of and the carrying out of the function while the Municipal Manager remains the custodian of PMS. This is a strategic function which resides in the Office of the Municipal Manager.

The co-ordination of the implementation phases of the PMS will be the function of the PMS unit who will be responsible for the following core activities:

- ✓ Responsible for the co-ordination of the development and implementation of activities of the organisational PMS, through interaction with all relevant stakeholders;
- ✓ Ensuring and overseeing the implementation of this Performance Policy Framework and compliance to all performance legislative requirements in respect of the implementation of the PMS through the development of a Performance Process Plan;
- ✓ Facilitating inputs for the review and further development and refinement of the PMS;
- ✓ Providing regular support and capacity to the different departments in developing departmental scorecards;
- ✓ Continuously providing technical support to the Municipal Manager and the executive management team with the implementation, assessment, review, monitoring and management of information;
- ✓ Providing capacity for analysing organisational performance information submitted by Executive Managers on a quarterly, mid-term and annual basis in preparation for reporting;
- ✓ Responsible for co-ordination and compiling the annual section 46 performance report;
- ✓ Ensuring that all quarterly, mid-term and annual organisational performance reports are submitted to all stakeholders timeously, e.g. Quarterly reports to Executive Mayor, midterm report to Council and annual reports to the Auditor-General, MEC and the public;
- ✓ Work closely with the IDP and Internal Audit Offices to co-ordinate performance activities according to the Lekwa Local Municipality Performance Process Plan;
- ✓ Co-ordinate capacity building activities on municipal performance management for all stakeholders.

## 8.2 IMPLEMENTING THE PERFORMANCE MANAGEMENT SYSTEM

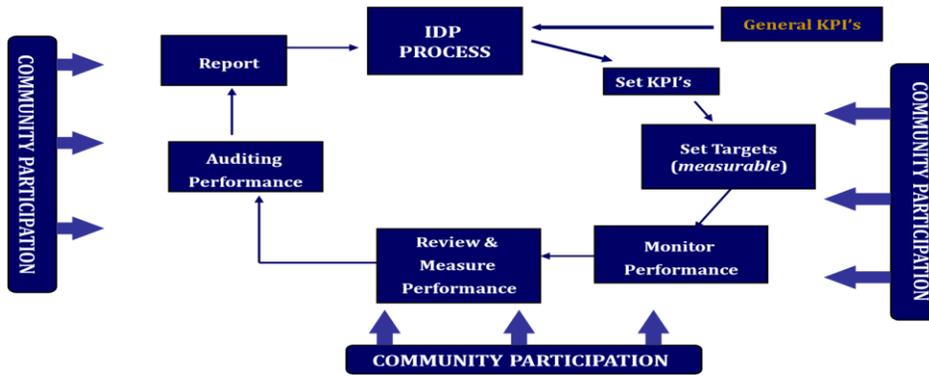
Having identified the preferred performance model to be the Municipal Balanced Scorecard

Model and having agreed to measure its performance against the five perspectives, Lekwa Local Municipality will adopt a process plan for implementing its performance management system. The PMS implementation and management process will be carried out within the following phases:

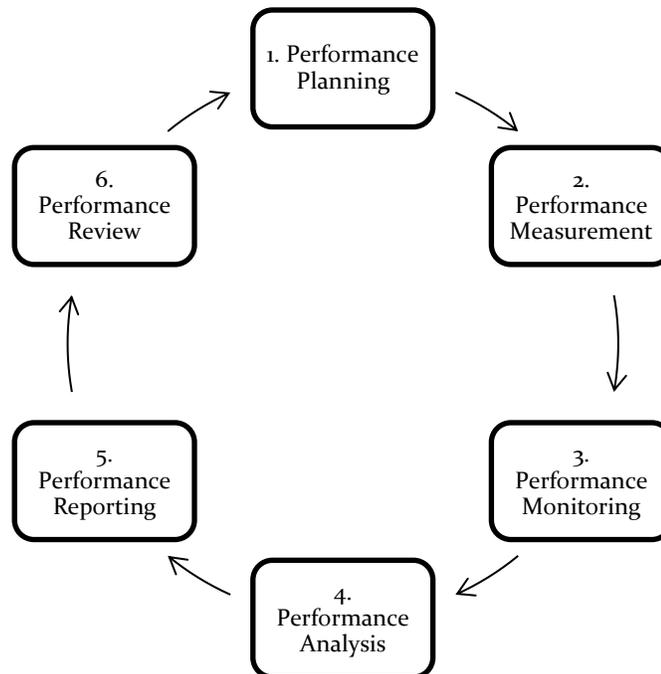
- ✓ Phase 1: Performance planning
- ✓ Phase 2: Performance measurement
- ✓ Phase 3: Performance monitoring
- ✓ Phase 4: Performance analysis
- ✓ Phase 5: Performance reporting
- ✓ Phase 6: Performance review and improvement including feedback and corrective measures

The cycle of performance management is shown in the figure below. Each phase is outlined in detail and this includes the actual step-by-step guide on what each phase entails and how each one will evolve.

Figure 4: Performance Management Cycle



The performance management process plan cycle.



### 8.2.1 Phase 1: Performance Planning

The performance of the Municipality is to be managed in terms of its IDP and the processes and phases of compiling an IDP and the SDBIP. The annual review of the IDP constitutes the process of planning for performance.

It should be noted that the last component of the process 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 underperformed. Municipal performance planning is part of the IDP strategic planning processes. The IDP process and the performance management process must be seamlessly integrated. Integrated development planning fulfils the planning phase of performance management. The performance planning phase will be undertaken in three steps.

Step 1: Integrated Development Planning, Priority Setting, Identifying Key Performance Areas, Setting Objectives and Developing Key Performance Indicators and Performance Targets

Integrated development planning, as defined by the MSA is a process by which municipalities prepare the IDP that is reviewed annually in consultation with communities and stakeholders. This strategic plan seeks to allow implementation in an integrated manner by balancing the economic, ecological and social pillars of sustainability without compromising the institutional capacity required for its implementation. Actions across sectors and the spheres of government must be coordinated. The IDP delivers a number of products that translate into the formulation of the municipal budget, the development of an annual SDBIP as the organisational performance scorecard for the Municipality. In a nutshell, the IDP process should deliver the following products in relation to the Municipality's performance management:

- ✓ An assessment of development priorities in the municipal area, identifying development challenges, marginalised and vulnerable citizens and communities;
- ✓ A long term development vision for the municipal area that seeks to overcome 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 a developmental vision for the area;
- ✓ A set of internal transformation strategies, priorities and objectives, whose achievement would enable the delivery and the realisation of the developmental vision;
- ✓ Programmes and projects identified which will contribute to the achievement of the objectives;
- ✓ High level KPIs and performance targets that will be used to ensure progress on implementation of projects and progress towards the attainment of the objectives and the vision;
- ✓ A financial plan and medium term income and expenditure framework that is aligned with the priorities of the Municipality.

The Municipality has established structures for consultation, oversight and management of integrated development planning. These include the:

- IDP Steering Committee
- IDP Technical Committee
- IDP Representative Forum

- Ward Councilors Forum and Ward Committees
- IDP and Budget Izimbizo

The Municipality has clustered its delivery priorities in the IDP under the following Key Performance Areas (KPAs):

- Basic Service Delivery
- Municipal Transformation and Organisational Development
- Local Economic Development
- Financial Management and Viability
- Good Governance and Public Participation
- Spatial Rational

The IDP planning process also includes the KPAs that are translated into strategic objectives, Key Performance Indicators (KPIs) and performance targets per KPA.

#### Step 2: Developing and Adoption of the Service Delivery and Budget Implementation Plan (SDBIP)

The results of the 5 year IDP and its annual reviews result in the development of a SDBIP on an annual basis, also informed by the previous year's performance as contained in the audited annual performance report and annual report, which will also focus on those areas in which the Municipality has underperformed and to further build on areas where the Municipality excelled.

The SDBIP gives effect to the IDP and budget of the Municipality and is only effective if the IDP and budget are fully aligned with each other, as required by the MFMA. It gives effect to the strategic priorities of the municipality. The SDBIP therefore serves as a "contract" between administration, Council and the community, expressing the goals and objectives set by the Council as quantifiable outcomes that can be implemented by the administration over a period of twelve months. This provides the basis for measuring performance in service delivery implementation against end of year targets within the allocated budget.

It enables the municipal manager to monitor the performance of senior managers, the mayor to monitor the performance of the municipal manager and for the community to monitor the performance of the Municipality. The SDBIP as approved by the Executive Mayor should therefore determine and be consistent with the performance agreements between the mayor and the municipal manager and the municipal manager and senior managers as determined at the start of every financial year. The SDBIP is essentially the management and implementation tool which sets out in-year information, such as quarterly service delivery and monthly budget targets and links each service delivery output to the budget of the Municipality, thus providing management information and a detailed plan for how the municipality will provide such services and the inputs and financial resources to be used. The SDBIP also provides all expenditure information (for capital projects and services), so that this also enables the mayor and municipal manager to be pro-active in taking remedial steps in the event of poor performance or where expenditure greatly exceed revenue generation.

The SDBIP is a management tool with consolidated service delivery targets and in-year deadlines and being a management and implementation plan approved by the Executive Mayor. It is not a policy and does not require to be approved by Council. It is however tabled to Council and made public for information and for purposes of monitoring performance.

The SDBIP and its targets cannot be revised or adjusted without notifying the Council and if there are to be changes in service delivery targets and performance indicators, this must be with the approval of Council, following the approval of an adjustment budget, in terms of section 54 (1) (c) of the MFMA. This Council approval is necessary to ensure that the mayor or municipal manager do not revise service delivery targets downwards in the event where there is poor performance.

The municipal manager is responsible for the preparation of the SDBIP which must be legally submitted to the mayor for approval once the budget has been approved by the Council. However, the municipal manager should start the process to prepare the SDBIP no later than the tabling of the draft budget, around March of every year and preferably submit a draft SDBIP to the mayor by mid-May for initial approval. Once the budget is approved by Council, the municipal manager should merely revise the approved draft SDBIP and submit for final approval by the mayor within 14 days of the approval of the budget. Draft performance agreements should also be submitted with the draft SDBIP by mid-May and then be submitted for approval with the revised SDBIP within 14 days after approval of the budget. The mayor should therefore approve the final SDBIP and performance agreements simultaneously, and then make the SDBIP and performance agreement of the municipal manager public within 14 days, preferably before 1 July of every year.

The SDBIP requires a detailed outline of the five necessary components which are:

1. Monthly projections of revenue to be collected for each source;
2. Monthly projections of expenditure (operating and capital) and revenue for each vote;
3. Quarterly projections of service delivery targets and performance indicators for each vote;
4. Ward information for expenditure and service delivery;
5. Detailed capital works plan broken down by ward over three years;

The Lekwa Local Municipality's organisational scorecard will group its indicators and targets under the six (6) KPAs and will monitor and measure its performance against achievements and improvement in line with the six KPAs.

### Step 3: Development and Approval of the Organisational Scorecard

From the above detail, the item within the SDBIP stated as "Quarterly projections of service delivery targets and performance indicators for each vote" is the component that is the organisational performance scorecard that is adopted as the performance planning, monitoring, measuring and review tool as the organizational scorecard of the Municipality. The SDBIP is the top level document that is cascaded and aligned to the performance of the municipal manager and the senior managers directly accountable to the municipal manager, as section 56 managers. The SDBIP monitors budget implementation and other nonfinancial functional areas of the municipality. The SDBIP, focuses on the efficient and economical spending of the budget and nonfinancial reporting necessarily looks at the holistic viability and management of the municipality.

In view of the above, Lekwa Local Municipality adopts the Municipal Balanced Scorecard Performance model to utilise as the tool to monitor and measure both financial and non-financial performance.

The organisational scorecard of Lekwa Local Municipality will be laid out in a simple spread sheet in line with the components dealt with under 7.3. The organisational scorecard is an Excel-based spread sheet consisting of information on each of the six (6) KPAs. The organisational scorecard also covers departmental scorecard information, which will in turn become the individual performance plans of the

section 56 senior managers on performance contracts. Drafting of these performance plans should happen simultaneously with the other documents and be submitted to the mayor for approval and submission to Council for noting.

#### Step 4: Attending to Governance and Compliance Matters

Upon approval of all the strategic documents, the Executive Mayor and the Municipal Manager must sign the Municipal Manager's performance agreement before 31 July of every year. The Municipal Manager must do the same and sign performance agreements with all managers directly accountable to him/her and employed on a fixed term contract basis before 31 July of every year. The Executive Mayor must publicise the SDBIP, including the organisational scorecard and the Municipal Manager's and other section 56 manager's performance agreements as per the provisions of section 53 (3) of the MFMA. Lekwa Local Municipality will among others use the following publicity platforms to publicise the said documents:

- ✓ The Lekwa Local Municipality website, which address is [www.lekwalm.gov.za](http://www.lekwalm.gov.za)
- ✓ Council approved local newspapers of record

The Executive Mayor will also submit copies of the SDBIP inclusive of the organisational scorecard and the performance agreements of all section 56 managers to the MEC responsible for Local Government in the Mpumalanga province.

The entire planning process for performance management will be done once per year within the months of March to June, in preparation for implementation in the following financial year commencing on 1 July. By the beginning of a new financial year, all planning must be complete, compliance matters related thereto attended to and resources allocated accordingly.

#### 8.2.2 Phase 2: Performance Monitoring

Monitoring of performance will be an on-going process throughout the year and will run parallel to the implementation of the IDP through the SDBIP. Monitoring will be conducted within each department. Lekwa Local Municipality will use a paper-based and report-based monitoring mechanism. Different role players will be allocated tasks to monitor and gather information that will assist the municipality to detect early indications of underperformance and take corrective measures on time. Information management plays a central role during this phase.

The performance monitoring system places responsibility on each Department, division/section and individual employees to collect relevant data and information to support the monitoring process. Performance data must be collated and analyzed to compare existing trends within the Municipality. The results should be communicated to develop shared improvement strategies that can enhance performance.

Evidence of performance will be gathered and stored by each department and presented to substantiate claims of meeting or not meeting performance targets and standards. This evidence must be stored on files, both manually and digitally (electronically) where possible. The Heads of Departments must allocate responsibility in their respective offices for information management, as these performance information files must be separate from normal registry filing. Even though registry will have all the data and file it as per its filing system, performance information must be filed according to key performance area and key performance indicators relevant to a specific department. These files will be regarded as the

portfolio of evidence and must be kept for purposes of performance measurement, performance review and performance audit during the other phases.

The roles and responsibilities for monitoring are allocated as follows:

- ✓ The Management Team: The management team discuss departmental performance progress reports on a monthly basis and need to reflect on whether targets are being met, reflect on the reasons being provided by departments for targets not being met and suggest corrective action. The purpose of a performance driven management team is to instill a culture of collective management and to move away from management taking place in silos.
- ✓ The Executive Mayor: the Executive Mayor receives monthly and quarterly progress reports from the Municipal Manager on all indicators in the organisational scorecard in order to monitor if targets are being met and where not, that proper corrective measures are put in place to keep to the timelines set for achieving each indicator and target.
- ✓ Departments: departments will receive progress reports on the implementation of their departmental scorecards from divisional managers on a monthly basis. These reports are to be compiled into monthly reports that are discussed at their monthly management meetings.
- ✓ Municipal Council: performance reports will be submitted to Council quarterly.

### 8.2.3 Phase 3: 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/indicators and targets happens during the IDP process and is linked to the strategic objectives of the Municipality. To ensure the integrity of the indicators and targets set, baseline information based on historic or previous financial year should be used as the basis for setting sound measures/indicators and targets. Performance measurement allows the Municipality to compare actual performance in relation to historic and baseline performance. All the measured results are then recorded in a report. The Municipality will use one reporting template for all KPIs and all departments will use this format to produce quarterly reports and the annual performance report.

### 8.2.4 Phase 4: Performance Analysis

Performance review is a process where the municipality, after measuring its own performance as detailed in the previous phase, assesses whether it is giving effect to the objectives of the IDP. It is the phase where it is assessed whether the right things are being done or not. Performance reviews will be conducted through the Municipality's scorecard model by assessing performance against the KPAs, indicators and targets. Lekwa Local Municipality's reviews will be conducted using the following approaches:

- (a) To look at whether the current level of performance is better than that of the previous year, using baseline indicators as adopted in the organisational scorecard. This assessment is important because the municipality can only know if its performance is improving by comparing it with past performances. This review method will be the one used regularly alongside the monitoring and analysis processes. The reviews will occur quarterly and annually;
- (b) By using different methods to assess the Municipality's customers' perception in respect of the performance of the municipality against delivery in its key performance areas at least once a year;

- (iii) The municipality's performance can also be compared to that of other similar municipalities through benchmarking exercises conducted at least once in three years.

This review approach challenges the current level of municipal performance in the following ways:

- (a) By comparing actual performance against baseline information,
- (b) By consulting with customers and communities through customer perception surveys;
- (c) By comparing a municipality's performance to another's through benchmarking, which can provide ways for municipalities to enter into twinning agreements to provide best value in service delivery by sharing best practices.

The results of quarterly measurement and reviews will be captured in a spread sheet format, as shown in the template annexed as Appendix 2 to ensure consistency in reporting for both the Municipality and departments.

Who has the responsibility of conducting Reviews?

As in the monitoring and measurement stages, reviews will be conducted according to the lines of accountability within the Municipality's organisational structure. Reviews at all levels on organisational indicators and targets will be conducted quarterly, preceded by review sessions by the municipal manager to his/her direct reports.

The Executive Mayor

The Performance Management System of Lekwa Local Municipality is designed in such a way that it allows the Executive Mayor to strategically drive and manage performance in the Municipality. Reviews at this level will remain strategic so that the Executive Mayor is not restrained by operational discussions. In order for the review to be strategic, the Executive Mayor will review performance quarterly, with the final quarterly review taking the form of an annual review.

The content of the review should be confined to the KPAs and objectives. The Municipal Manager will remain accountable for reporting on performance at this level.

Council

Council will consider MPAC's reports, adopt and approve the organisational performance annually in the form of a tabled annual report after the end of a financial year.

The Public

The public will be involved in reviewing municipal performance at least once a year, in the form of the annual report and customer perception surveys. While good and excellent performance must also be constantly improved upon and maintained to meet the needs of citizens and improve their quality of life, it is poor performance that needs to be improved and addressed as a priority. Poor performance may arise out of one or more of the following:

- ✓ Poor systems and processes;
- ✓ Lack of effective internal controls
- ✓ Inappropriate structures;
- ✓ Lack of skills and capacity;

- ✓ Inappropriate organisational culture;
- ✓ Absence of an appropriate strategy and departmental business plans that lay the foundation for optimal performance;
- ✓ Lack of cooperation among employees and senior management.

### Improving Performance

In order to improve performance, Lekwa Local Municipality, throughout the performance management phases, will analyse the causal and contributory factors resulting in poor performance. Through review sessions at the top layer of the administration, appropriate response strategies will be developed. These should inter alia include:

- Review of the organisational structure as a possible solution for an inappropriate structure;
- Process and system improvement strategies to remedy poor systems and processes;
- Training and sourcing additional capacity, over a short term, where skills and capacity shortages are identified;
- Change management and diversity management education programs that can address organisational culture issues;
- Review of the IDP to address shortcomings in the strategy;
- Development and appropriate review of departmental business plans and operational plans to guide performance in each department;

### 8.2.5 Phase 5: Performance Reporting

Reporting requires that the Municipality take its 6 KPAs, its performance objectives, indicators, targets, measurements and analysis and present this information in a simple and accessible format that is relevant and useful to a variety of stakeholders. The reporting format will contain the following elements: **The municipality will publish a performance report. The annual report is required by legislation and will be made available to the public. The municipality will frequently inform stakeholders of its performance, depending on resources and capacity through accessible media means and other forms.**

**To ensure that the reporting process runs smoothly and effectively, the PMS unit will manage the processes of communicating timeframes of all reporting processes for the year, track and monitor reporting processes and analyse performance reports at an organisational level.**

**A template will be developed that will contain necessary and relevant information and will cover the period for which reporting must be done, stating the relevant KPAs, capturing all the agreed strategic objectives and indicators, stating agreed targets relevant to the period which the report covers, measure current performance for the reporting period and indicating whether the agreed upon targets have been met, analyse the reasons for the level of performance and suggest corrective action, if necessary.**

All departments will be required to report on performance using the reporting format. The reporting format must be kept simple, accessible to all users and useful to the intended reader.

The main feature of the reporting phase is the eventual production of the annual report. This is a consolidated report that reflects on performance on each of the 6 KPA perspectives as per the adopted model. The annual report will be informed by information gathered through performance plan reports throughout the year and one performance report will be compiled as per the requirements of section 46 of the Municipal Systems Act. Since Lekwa Local Municipality adopted the Municipal Balanced Scorecard

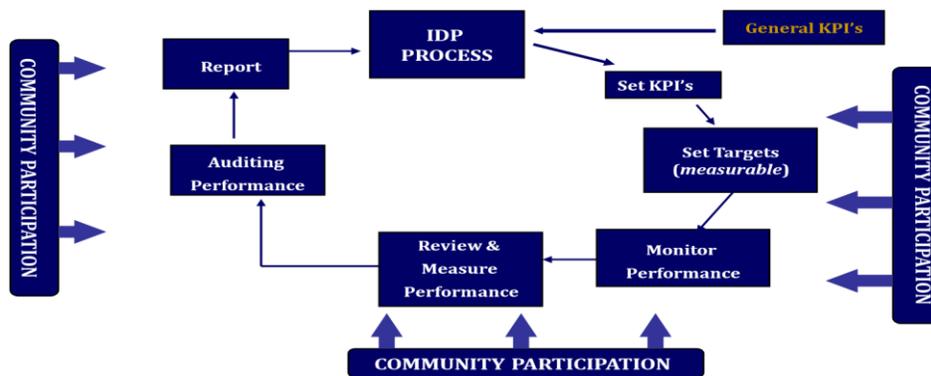
model, its annual report will reflect its performance results clustered per KPA and per department. This will all take place within the laid down timelines.

#### Who Reports to Whom?

The reporting process will follow the lines of accountability as detailed in the performance monitoring, measurement and review phases above. Reports will be submitted to the different stakeholders using the following internal processes as outlined and through the different political and community stakeholders as required by the MSA, the MFMA and the Municipal Performance Regulations. Reports will be submitted to the following stakeholders according to the timelines outlined in the municipality's performance process plan as shown under the performance cycle section and further illustrated in Figure 4 below:

- Lekwa Local Municipality reporting to communities
- Lekwa local Municipality reporting to Ward Committees
- Executive Mayor reporting to Council
- Municipal Manager reporting to the Executive Mayor and Mayoral Committee
- Executive Managers (Heads of Departments) reporting to the Municipal Manager
- Divisional Managers reporting to Executive Managers (Heads of Departments)
- Supervisors reporting to their divisional managers
- Employees as teams reporting to their supervisors

**Figure 4: Performance Management Cycle**



#### Tracking and Managing the Reporting Process

To ensure that the reporting process runs smoothly and effectively, the PMS unit as established within the Office of the Municipal Manager, will co-ordinate all activities related to efficient reporting. The functions of the Unit in this regard will include the following:

- Developing a process plan or timetable for all reporting processes for the year;
- Prepare logistics for reporting;
- Improve the reporting format, should there be a need to do so;
- Track and monitor reporting processes;
- Control the quality of reports going for reviews at political and governance level in terms of alignment with the adopted reporting format;
- Analyse departmental performance reports;
- Compile quarterly organisational performance reports and the annual report;
- Review the reporting process and suggest improvements

#### Publication of Performance Reports

The annual report is required by legislation to be made public. Lekwa Local Municipality will within its available resources and capacity keep communities informed of performance information through:

- Publication of reports on the municipal website
- Notices in the local newspaper of record
- Publication of documents

#### Public Feedback Mechanism

Public feedback on reported performance will be obtained during the IDP review processes.

#### 8.2.6 Phase 6: Performance Review

The review of performance includes the assessment of the system itself, the framework, organizational performance targets as well as the performance of employees. These reviews identify the strengths, weaknesses, opportunities and threats that the Municipality may encounter in meeting key performance indicators and performance targets. It also measures indicators relating to economy, efficiency, effectiveness in the utilisation of resources and the impact in so far as performance indicators and targets set by the Municipality has been achieved or not.

### 8.3 AUDITING PERFORMANCE INFORMATION AND QUALITY CONTROL

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

In terms of the provisions of the Municipal Systems Act and the Municipal Performance Regulations of 2001, the annual performance report must be audited internally and submitted to the Performance Audit Committee before being tabled and made public. The annual performance report must also be audited by the Auditor-General. It is therefore important to allow sufficient time for auditing, between completion of the annual report and its tabling.

After the annual report has been developed, it must then be submitted for auditing to the Auditor-General by 31<sup>st</sup> August of every year and be submitted to the MEC for Local Government in the province for the MEC to complete an annual report on performance of all municipalities and proposing remedial action and submit the provincial report to the national minister. The national minister will then present a consolidated report to parliament.

## Internal Auditing of Performance Measurements

### 1. The Internal Audit Unit of Lekwa Local Municipality

In terms of Regulation 14 of the Planning and Performance Regulations 2001, every municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. The functions of the internal audit unit include the assessment of the following:

- (i) the functionality of the municipality's performance management system;
- (ii) whether the municipality's performance management system complies with the provisions of the Municipal Systems Act;
- (iii) the extent to which the municipality's performance measurements are reliable in measuring the performance of the municipality on its own indicators and against the national indicators

The Regulations further provides that the municipality's internal audit unit must:

- i. On a continuous basis, audit the performance measurements of the municipality; and
- ii. Submit quarterly reports on their audits to the municipal manager and the performance audit committee.

Lekwa Local Municipality has established an Internal Audit unit whose functions are inter alia provided for in the 2001 Municipal Performance Regulations. The Internal Audit unit will be responsible for quality checks and balances of all performance information submitted for measurement and review. Quality control is the central and key function of the Unit to ensure the achievement of effective and efficient performance by the Municipality. The Municipal Manager and the Executive Mayor will place reliance on the performance audit risk assessments and audit reports to make informed decisions and motivate to the municipal Council and communities for any reviews and improvements and/or adjustments.

### 2. The Performance Audit Committee

Regulation 14 of the Municipal Planning and Performance Regulations stipulates the provisions that guide the establishment of the Performance Audit Committee and outline the functions and powers entrusted to the Committee as the following:

- (a) Review the quarterly reports submitted to it by the Internal Auditors;
- (b) Review the municipality's performance management system and in doing so, focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by Council, in its organisational scorecard are concerned;
- (c) Make recommendations in this regard to the Council;
- (d) At least twice during a financial year submit an audit report to the municipal Council;
- (e) Communicate directly with the Council, Municipal Manager and the internal and external auditors of the Municipality;
- (f) Access any municipal records containing information that is needed to perform its duties or exercise its powers;
- (g) Request any relevant person to attend any of its meetings and if necessary to provide information as requested by the committee; and

- (h) Investigate any matters it deems necessary for the performance of its duties and the exercise of its powers.

The Municipality has opted to appoint an Audit Committee that will also serve as the Performance Audit Committee. The Municipality will provide an annual budget for the running of this committee and also provide the relevant secretarial capacity for the effective functioning of the committee.

#### 8.4 ROLES AND RESPONSIBILITIES OF DIFFERENT STAKEHOLDERS

As can be noted from the above analysis of each phase in the performance management system and from the range of legislative prescripts governing municipal performance, it is clear that, for the performance management system of the Municipality to function optimally, a number of role players and stakeholders that have to be involved. These stakeholders have different roles and responsibilities within each of the performance management phases as more fully outlined in section 5 of the framework.

### 9. EMPLOYEE PERFORMANCE MANAGEMENT

#### 9.1 LEGAL FRAMEWORK THAT GOVERNS EMPLOYEE PERFORMANCE MANAGEMENT

In local government, municipal employees fall into two broad categories, namely employees who are governed by section 56 of the Municipal Systems Act and enter into time specified, fixed term employment contracts with the municipality, with a performance agreement to be entered into on an annual basis.

The Municipal Performance Regulations for Municipal Managers and managers directly accountable to the municipal manager of 2006 also make special provisions for employment and managing performance of section 56 managers. The pertinent provisions are briefly outlined below:

- ✓ Section 57 managers must enter into employment contracts with the municipality on assumption of duties and the regulations gives a detailed guide on the elements that an employment contract must contain;
- ✓ Performance agreements must be signed for each financial year or part thereof;
- ✓ A new performance agreement must be concluded annually, in line with the provisions of the MSA, as amended
- ✓ A personal development plan must be signed with the performance agreement
- ✓ All section 57 managers' performance must be assessed against two components, namely,

Key Performance Areas (KPA's) at 80% and Competency Requirements (CRs) at 20%;

- ✓ Across the 6 KPA's, section 56 manager must allocate a weight to each KPA, which must add up to 100% and must also be allocated across the competency requirements to also add up to 100%;
- ✓ An Evaluation Committee must be established that on an annual basis evaluate the performance of the Municipal Manager and the section 56 managers directly accountable to the municipal manager;
- ✓ The Municipal Manager's annual performance must be evaluated by the Executive Mayor, Chairperson of the Audit and Performance Audit Committee, Member of the Mayoral Committee, Mayor and/or Municipal Manager from another municipality and a member of a ward committee nominated by the Executive Mayor;
- ✓ Section 56 managers directly accountable to the municipal manager must be evaluated by the Municipal Manager, Chairperson of the Audit and Performance Audit Committee, Member of the Mayoral Committee and a Municipal Manager from another municipality;

- ✓ A performance bonus ranging from a minimum of 5% to a maximum of 14% of the all-inclusive remuneration package can be paid based on a total scoring of between 130% to 167%;
- ✓ A guaranteed annual cost of living adjustment to salaries is payable and this is not linked to performance subject to Council approval;
- ✓ Rewarding the performance of section 56 managers must be done annually after the tabling of the annual report which includes the audited financial statements and subject to necessary budgetary provisions having been approved;

As can be seen from the above provisions, performance of section 56 managers in Lekwa Local Municipality will align to the relevant Regulations. Performance will be measured against their individual performance agreement and plan entered into for every year or part thereof. The SDBIP as the organizational scorecard also contains delivery targets relevant to each of the Departments, which is then contained in the performance plan as an annexure to their performance agreement.

## 9.2 ALIGNING INDIVIDUAL PERFORMANCE TO THE ORGANISATIONAL PMS

The performance of an organisation is integrally linked to that of its employees. If employees do not perform, an organisation is more likely not to excel too. It is therefore important to manage both organisational and individual performance at the same time. The relationship between organisational and individual performance starts from planning and continues throughout the various phases of the performance management cycle of implementation, measuring, monitoring and review. All the phases in the organisational performance cycle also apply to the management of individual performance. A monitoring system using weekly, bi-monthly, monthly, quarterly and annual reports is informed by individual activities at divisional and departmental levels. Individual performance reviews will differ from organisational reviews. Each phase will be briefly discussed below:

### Phase 1: Planning for Employee Performance

The IDP contains a set of strategy implementation indicators and targets. These become an undertaking by the municipality to deliver services to its communities. The IDP and budget informs the development of the SDBIP as the organisational scorecard. The SDBIP component of quarterly service delivery targets is developed into the performance plans of the municipal manager and the section 56 managers that are accountable to the municipal manager. The performance indicators and targets of the section 56 managers are incorporated into their performance agreements and performance plans. The section 56 managers will in turn cascade the indicators and targets to the levels of divisional managers and supervisors in line with the scope of responsibilities of their job descriptions to the extent that it ensures the effective implementation of the SDBIP. Therefore, this policy framework establishes a system of section 56 individual performance management linked to the organisational performance.

### Effecting Weighting and Ratings of section 56 managers

The weighting of indicators in the performance plan of section 56 managers will follow the provisions of the 2006 Performance Regulations. The weighting of 80% will be allocated across all KPA related indicators and 20% of the weighting will be allocated to Competency Requirement (CR) indicators.

The five-point rating scale will apply in the evaluation process of the municipal manager and section 56 managers' performance. The 2006 Municipal Performance Regulations sets out the rating scales as follows:

LEVEL	TERMINOLOGY	DESCRIPTION	RATING % <b>SCORE</b>				
			1	2	3	4	5
5	Outstanding Performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.	<b>167%</b>				
4	Performance Significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others.	<b>133% – 166%</b>				
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.	<b>100% – 132%</b>				
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.	<b>67% – 99%</b>				
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.	<b>0% – 66%</b>				

The various performance indicators, targets and weightings will be agreed upon and captured in each section 56 manager's performance plan, with a clear understanding of exactly what constitutes 100% fully effective performance. Clear, specific, quantifiable and measurable performance targets must be set against which performance will be measured.

A rating of 4 or 5 can only be achieved when a person exceeds identified targets as explained in the above table. All levels of achievement must be accompanied by relevant portfolios of evidence which will clearly indicate the level of performance that has been achieved.

The outcome of the planning phase for will ensure that section 56 managers have signed performance agreements and performance plans at the beginning of every financial year.

## Phase 2: Implementation, Monitoring, Data Analysis and Measurement

When projects and programs are implemented, the monitoring system as per the organisational performance phase will apply. All reporting timelines and information management responsibilities will be carried out as detailed for each of the phases.

## Phase 3: Employee Coaching

Should a section 56 manager not be achieving the agreed performance targets as outlined in the individual scorecard, the Municipal Manager must assist the section 56 manager by monitoring his/her performance more closely. It is not appropriate that the first time a section 56 manager hears about his/her under- or non-performance is at the formal performance review. Section 56 managers must ensure the adherence to their personal development plans and must be given feedback with every review.

## Phase 4: Employee Performance Review

This phase involves jointly assessing performance against expectations at the end of the performance cycle so as to review and document planned vs actual performance. The following guidelines will be applicable for conducting individual performance reviews:

- ✓ The Executive Mayor or Municipal Manager (as the case may be) will prepare a performance rating scorecard for each key performance area. The rating will be done by considering the quarterly, half-yearly or the year end actual as well as the cumulative results. The evidence which was documented during the reporting cycle as well as any other relevant input will also be considered.
- ✓ Necessary requests will be made to prepare the section 56 managers for formal assessment by rating him/herself against the agreed key performance indicators as per the scorecard;
- ✓ A meeting will be arranged to conduct a formal performance rating with a view to conclude a final rating. A second meeting will then take place. In the event of a disagreement, the person doing the appraisal has the final say with regard to the final rating that is given.
- ✓ After the ratings have been agreed upon the scores are then calculated.
- ✓ Proper record and notes must be made and kept during the review meetings. All the criteria that have been specified must be taken into consideration.
- ✓ Only those KPIs relevant for the review period in question should be rated according to the 5-point scale shown above.
- ✓ After the year-end review, a personal development plan is prepared and agreed upon by the appraisee and appraiser.

The total score is determined once all the indicators have been rated and scored. This is done with a view to establish if the appraisee is entitled to a performance bonus. Annexed to the policy framework as Appendix 3 is a form that should be completed as part of the appraisal session, which can serve as documented proof of the performance evaluation undertaken.

## Phase 5: Rewarding Performance of Municipal Manager and section 56 managers

This phase establishes the link between performance and reward. It aims to direct and reinforce work behaviors by determining and allocating equitable and appropriate performance bonuses and rewards to the municipal manager and managers directly accountable to the municipal manager in terms of the Performance Regulations.

The performance reward system applied to section 54A and 56 managers is different from the performance reward system applied to permanent employees. Section 54A and 56 managers' reward system is clearly spelt out in the 2006 Municipal Performance Regulations and these rewards are to be considered after the tabling of the annual report.

The performance reward system of the Municipal Manager and section 56 managers is built into their contracts of employment and performance agreements as prescribed by the Municipal Performance Regulations of 2006. Since the Regulations only prescribe in broad terms the percentage parameters of performance bonuses to be paid out from the all-inclusive annual remuneration package for outstanding performance, of between 5% and 14%, it is therefore left to Council to adopt a more specific percentage-based approach to ensure any bonuses which may be awarded, are fairly differentiating between levels of performance and achievement. In determining the performance bonus, the relevant percentage must be based on the overall rating calculated by using the applicable assessment rating calculator. The bonus will be calculated based on the inclusive annual remuneration package of the section 56 manager.

The outcome of the section 56 manager's annual performance in terms of the KPAs and CRs will annually be presented to an evaluation panel constituted in terms of the Municipal Performance Regulation 805 of 2006. This panel will evaluate the annual performance of the individual and determine the annual performance bonus accordingly or any remedial action. The performance bonus percentages of between 5% - 14% will be calculated based on performance scores ranging between 130 - 167 as follows:

% Rating over performance scoring	Percentage Bonus
130 -133.8	5%
133.9 - 137.6	6%
137.7 - 141.4	7%
141.5 - 145.2	8%
145.3 - 149	9%
150 - 153.4	10%
153.5 - 156.8	11%
156.9 - 160.2	12%
160.3 - 163.6	13%
163.7 -167	14%

In the case of unacceptable performance, section 32 (3) (a) and (b) of the Municipal Performance Regulations of 2006 shall apply.

### 9.3 Basic Approach Towards Managing Performance of Divisional Managers

This part of the policy refers to Divisional Managers on Task Grades 17 and 16. It must be noted that if an employee is a permanent employee and is thus covered by the conditions of service of the municipality in terms of the South African Local Government Bargaining Council, performance is not directly linked to pay. Currently permanent employees receive an annually bargained increase determined and concluded at the SALGBC. Permanent employees, once the performance management system is cascaded down to the levels below the municipal manager and section 56 managers, can through an Incentive and Reward Policy be rewarded and be given recognition, for performing outstandingly and also be dealt with in accordance with relevant labour relations legislations in instances of under or non-performance.

Divisional Managers will participate in the Performance Management System on the basis that performance will be measured with the key objective to:

- (a) Align the individual's focus of performance with departmental and eventually with organisational objectives
- (b) Link performance to personal development
- (c) Provide meaningful feedback to the individual regarding his/her actual performance against agreed standards and objectives
- (d) Provide positive reinforcement to individuals to encourage career advancement
- (e) Manage and correct poor performance

### 9.4 Core Components for Individual Performance Management

The following core components will guide the establishment of the performance management system for permanent employees' work plans and those on fixed term contracts:

- ✓ Setting of appropriate key objectives with weightings
- ✓ Setting of measurable key performance indicators
- ✓ Setting of realistic and meaningful targets and timeframes
- ✓ Monitor and measure performance
- ✓ Link performance with personal development plans

To ensure proper cascading of organizational PMS to all employees, it becomes critical for the individual to align performance objectives, targets and standards to the objectives of his/her department and ultimately to that of the Municipality.

The Lekwa Local Municipality will adopt a weighting approach to show the relative importance of one indicator to another. Every indicator in an employee's performance workplan will be assigned a weighting. The total of the weightings on the performance workplan must add up to 100 points. An important indicator may, for example, be assigned a weighting of 50 out of the total of 100 whereas a less important indicator may be assigned a weighting of 15 out of 100. The purpose of the weightings is to show the relative importance an employee assigns to key work areas of responsibility that must be focused on responsible for.

## 9.5 PLANNING FOR INDIVIDUAL PERFORMANCE

Planning for performance must be completely aligned to the strategic planning processes within the Municipality. This will ensure the integration and roll-out of strategic objectives and targets of the Municipality to the departmental level and below. Departmental implementation plans should be focused at reaching targets indicated in the IDP which is developed into the SDBIP which contains the indicators and targets to be achieved within each Department.

The category of employees that are employed on a permanent basis and are governed by the provisions of the Collective Agreement reached at the South African Local Government Bargaining Council (SALGBC). This policy framework, only provides for those employees appointed in terms of section 56 and will be referred to as section 56 managers.

The proclamation of the Local Government: Municipal Systems Act (32/2000): Local Government: Municipal Staff Regulations stipulates the following:

- (1) *The Regulations apply to -*
  - (a) *All municipalities as defined in section 2 of the Act;*
  - (b) *All staff of a municipality*
- (2) *These Regulations must be read in conjunction with the Local Government Regulations on Minimum Competency Levels, 2007, Government Notice. 493 as published in Government Gazette No. 29967.*
- (3) *Unless otherwise specified, in these Regulations, these Regulations do not apply to*
  - (a) *All senior managers; and*
  - (b) *Persons participating in the national public works programme or a similar scheme.*
- (4) *The Minister may, by notice in the Gazette, extend the application of the Regulations to a municipal entity.*

It further indicates that the Regulations must be read in conjunction with the Guidelines published by the Minister in terms of section 72, read with section 120 of the Act.

A stand-alone Individual Performance Management and Development Policy will be developed that will incorporate all permanent employees into the overall performance management system of the municipality. This will require that every permanent employee of Lekwa Local Municipality must have an annual work plan that is aligned to their functional areas of responsibility as part of being held accountable for their work responsibilities as per their job descriptions.

## 10. EVALUATION AND REVIEW OF PERFORMANCE MANAGEMENT POLICY FRAMEWORK

Lekwa Local Municipality will evaluate and assess its Organisational Performance annually.

Consideration for the review of this PMS Policy Framework should be given on an annual basis if changes in legislation or functional circumstances necessitate such review to coincide with IDP and Budget planning processes. The Policy Framework shall be reviewed and updated annually, but if it has not been reviewed it shall remain in place and in force for a period not exceeding a further twelve (12) months.

## 11. CONCLUSION

This policy framework seeks to provide the basis for a structured approach to performance management within Lekwa Local Municipality. As previously indicated, proper implementation of this policy framework relies heavily on a committed and dedicated leadership, both politically and administratively. Performance management, being an uninterrupted, ongoing and continuous process, intends to fulfil the objective of improve existing processes and actions with the goal of enhancing and bettering the lives of the community it serves. In an ever growing and dynamic country where diversity, development and respectful behaviour is constitutional, effective performance management will ensure that capable individuals provide services sustainably to communities who are part of the decision-making processes.