

**GA-SEGONYANA LOCAL MUNICIPALITY
PMS POLICY FRAMEWORK
2017/2018**



*Performance Management System Policy Framework is compiled in terms of the Local Government:
Municipal Systems Act, 2000 (Act 32 of 2000)*

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1. PREFACE

This framework policy is a policy document that will set out

- ✓ The legislative requirements of the Performance Management System.
- ✓ The requirements a performance management system will need to fulfil.
- ✓ The principles that will inform its development and use.
- ✓ A model that describes what areas of performance will be managed.
- ✓ The process by which the system will work, and the delegation of responsibilities for different roles in the process.
- ✓ A plan for the development and implementation of the system.

This document is intended to be adopted by the municipal council as its performance management system policy framework and will be reviewed year on year with developments in the system and legislation governing performance management.

PREAMBLE

Ga-Segonyana Local Municipality is committed to improving the lives of its communities. The Municipality can only achieve this mission through effective delivery of services. In line with this commitment, the municipality has adopted its mission, vision and values to be;

VISION

Progressive sustainable development. Ga-Segonyana – the stream of life.

MISSION

Ensuring the delivery of quality and affordable services, in a sustainable manner that enhances good governance, equity and accountability to the people of Ga-Segonyana

VALUES

- ✓ To serve the Ga-Segonyana community in an accountable, ethical, equitable, professional and transparent manner
- ✓ To nourish the spirit of self-reliance and co-operative governance
- ✓ To promote a culture of payment and the spirit of belonging and ownership amongst our people by delivering quality, affordable and sustainable integrated services
- ✓ To implement all our plans through leadership, teamwork and commitment
- ✓ To serve our customers with a friendly, honest and caring manner

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DEFINITIONS

Term	Definition
Competencies	The visible application of knowledge and skills within a specific environment. The evaluation of competency not only addresses the knowledge of a person, but also the manner in which this knowledge is applied in the work environment.
Evidence	The documentary proof that must be submitted to substantiate the level of achievement i.e. rating against the KPI. Evidence must be independent, clearly reflect achievement, and signed off by relevant person/s.
Financial Rewards	This refers to the monetary rewards paid to employees as reward for good performance. This is often referred to as "performance bonus"
Goals	General statements that describes the desired outcome or purpose of any activity. This means the positive impact that the department wishes to have on Community at large.
Impact	Refers to the changes and consequences that result from specific activities or achievement. These may be both intended and unintended. Impact is generally assessed in terms of the contribution made to the achievement of a goal .
Indicators	Are agreed signs/ measures of effective performance that clarify intentions and help in assessment of achievement? Deliverables, standards, or measures used to indicate whether or not an objective has been met. The results must be within the control of the employee, objective and observable, and capable of being measured.
Input	The resources that are used to produce outputs or results. Inputs may be monetary or the amount of time employees spent on producing desired results.
Job analysis	is the process of identifying the purpose of a job in relation to: <ul style="list-style-type: none"> ▪ Organizational goals. ▪ Key performance areas or results that need to be achieved. ▪ How they would be achieved? ▪ What will be required to achieve them?
Key Performance Areas	(KPA) are those areas of a job that are critical in terms of making an effective contribution to achievement of organizational goals.
Municipality	refers to Ga-Segoyana Local Municipality
Nonfinancial Rewards	These are non-monetary rewards such as holidays, flexible working hours, access to training opportunities, sabbatical/study leave, planned career breaks, occupational health counselling and recreational facilities given to employees as rewards for good performance

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Term	Definition
Objectives	<p>Are statements that concretely and specifically describe a result to be achieved? They serve as a basis for:</p> <ul style="list-style-type: none"> ▪ Clarifying intentions ▪ Planning ▪ Guiding activity towards a desired result ▪ Assessing achievement. <p>Objectives are directly linked to the IDP Priorities of a Municipality</p>
Outcome	It is the consequence of achieving specific objectives. It is assessed in terms of goals and impact on the achievement of goals. It describes what changed as a result of the effort.
Output (Result)	<p>It is a concrete achievement that contributes to the achievement of a longer-term outcome or goal.</p> <p>They may be: Specific outputs such as houses built, patients served, performance agreements developed and signed.</p>
Performance agreement	<p>It is the outcome of a process that links individual performance plans to organizational goals and defines what is required to achieve effective performance.</p> <p>It involves supervisors and employees agreeing on objectives and standards of performance to guide performance and performance assessment.</p>
Performance appraisal	<p>It is the process of assessing performance.</p> <p>It is part of a larger process of linking individual performance management and development to organizational goals. It is also only one aspect of managing and developing the performance of individuals.</p> <p>It is a cyclical and iterative process aimed primarily at performance improvement through ongoing learning and development.</p>
Performance Management Specialist	This is the person within the Municipality that is appointed to develop and maintain the system and support all performance managers with logistical and technical arrangements related to the implementation of the performance management systems.
Performance Manager	This is the person that has staff members that report to him or her and is therefore required to conduct the performance appraisal and management processes with these staff members.
Performance review	<p>Is the formal process of assessing performance? During the review:</p> <ul style="list-style-type: none"> ▪ Achievement is assessed ▪ Problems are identified ▪ Remedial measures are agreed upon

Term	Definition
Performance standards	These are mutually agreed criteria to describe how well work must be done. They may be used to clarify the key performance areas of a job by describing what minimum performance levels are required to meet the requirements of the job as well as what “doing well” means or would look like to an observer.
Personal Development Plan	It is a general but realistic development plan based on an employee’s aspirations and the longer-term needs of the municipality. It generally reflects specific actions to be taken by the employee and the municipality to help the employee develop his/her potential and capacity.
Target Rating scale	It is a standard scale for rating an employee’s performance in relation to specific categories of performance. These are often used to introduce a degree of comparability into systems for performance assessment. A rating scale of 1 – 5 is used to determine the extent to which a target has been achieved. The details of the rating scale are as follows:
	5 Outstanding performance: Performance far exceeds the standard expected of an employee at this level.
	4 Performance significantly above expectations: Performance is significantly higher than the standard expected in the job.
	3 Fully effective: Performance fully meets the standards expected in all areas of the job.
	2 Performance not fully effective: Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job.
1 Unacceptable performance: Performance does not meet the standard expected for the job. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.	
Targets	These are agreed quantitative or qualitative standards which must be achieved. This refers to the output level the person must achieve in order to be given a particular performance score. Targets must consider realistic timeframes and it must be possible to implement them within a 12-month period. Inclusion of these targets eliminates subjectivity in the review process.
Weighting	Relative importance of one key performance area to another. Each SPO or KPA must be assigned a weighting out of 100%. The sum of all the weightings for SPOs must equal 100% and the sum of all weightings for all KPAs must equal 100%.

1. Introduction

The need to develop and maintain a performance management system in municipalities was first identified during the drafting and approval of the Constitution of the Republic of South Africa, 1996. Chapter 7 deals exclusively with the local sphere of government and, inter alia, lists the objects and developmental duties of municipalities. Within the framework of the Constitution, the White Paper on Local Government issued in March 1998, established the basis for a new integrated developmental local governmental system which is committed to working with communities to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives. The White Paper states the following:

“Integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. It will enable them to focus on priorities within an increasingly complex and diverse set of demands. It will enable them to direct resource allocation and institutional systems to a new set of development objectives.”

Performance management is thus critical to ensure that plans are being implemented, that they have the desired developmental impact and that resources are being used efficiently to establish and maintain a service-orientated culture of operation. As such performance management and integrated development planning are two sides of the same coin – the Integrated Development Plan (IDP) sets out what a municipality intends to achieve, i.e. what the community can expect and the Performance Management System (PMS) manages, measures and evaluates the extent of achievement thus assisting the community to inspect what it expected.

The broad framework for the establishment of a PMS is described in Chapter 6 of the Local Government: Municipal Systems Act, 32 of 2000 (MSA) which inter alia, requires municipalities to:

- ✓ With the involvement of the community, establish a PMS that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its IDP;
- ✓ Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration;
- ✓ Administer its affairs in an economical and accountable manner;
- ✓ Set appropriate key performance indicators (KPIs) and measurable performance targets with regard to the municipality’s development priorities and objectives set out in the IDP in consultation with the community;
- ✓ Establish mechanisms to, at least once per year, monitor, measure and review performance in consultation with the community;
- ✓ Set up appropriate mechanisms to timeously detect under-performance;
- ✓ Conduct an internal audit on performance;
- ✓ Submit results of performance measurement for audit by the Auditor-General (AG) annually;
- ✓ Include a report on performance as well as the audit report on performance by the AG, in the municipality’s annual report required in terms of Section 121 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA); and
- ✓ Publish the annual report for the information of councillors, staff, public and other spheres of government.

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2. Legislative and regulatory Framework

This policy framework is in accordance with applicable legislation and any relevant guidelines from the South African Local Government Association (SALGA), the most important of which are the following:

The Constitution of the Republic of South Africa, Act No. 108 of 1996 stipulates in section 195 (b) that “efficient, economic and effective use of resources must be promoted”. It further states in section 195 (h) that “good human resource management and career development practices, to maximize human potential, must be cultivated”.

Chapter 6 of the Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA) places specific emphasis on performance management. Section 38 obliges Municipalities, especially as employers, to implement a PMS that is in line with the priorities, objectives, indicators and targets contained in its IDP. Section 56 of this Act makes the employment of the Municipal Manager and Managers directly accountable to him/her subject to the conclusion of a separate performance agreement with the Municipality as soon as possible after initial appointment and annually thereafter before the end of July of each year. Section 67 of the Act regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively.

The Local Government: Municipal Planning and Performance Management Regulations No. R. 796 published in Government Gazette No. 22605 dated 24 August 2001 stipulates in more detail what is expected from municipalities in implementing its PMS, inter alia, requiring this policy to clarify all processes and the roles and responsibilities of each role-player, including the local community, in the functioning of the system. It also regulates the establishment, composition and functioning of a Performance Audit Committee.

The Local Government: Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) requires a service delivery and budget implementation plan (SDBIP) based on specific targets and performance indicators derived from the IDP thus linking the IDP, the PMS and the budget. In terms of Section 72 of the Act, the accounting officer of a municipality must submit a mid-year budget and performance assessment of the Municipality to, inter alia, National Treasury before 31 January of each year. Section 165 of the Act requires the existence of an internal audit unit which, inter alia, advises the Municipal Manager and reports to an Audit Committee on the implementation of an internal audit plan including performance management. Section 166 requires the establishment of an independent Audit Committee to advise the political and administrative executive on, amongst others, matters pertaining to performance management and performance evaluation.

The Skills Development Act, Act 97 of 1998 is also an essential part of the legislative framework for this Policy but in an indirect manner. The Act aims to develop the skills of the South African workforce to improve the quality of life of workers and their prospects of work and perceives skills development as contributing to the improvement of performance and productivity in the workplace as well as the competitiveness of employers. The Act and specifically the Workplace Skills Plan provides a valuable vehicle for the training of staff.

The Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 published in Government Gazette No. 29089 dated 1 August 2006 contains performance regulations for municipal managers and managers directly accountable to municipal managers. The regulations include the terms of conditions of employment for these officials and aims to ensure that their performance will, in future, be uniformly directed, monitored

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and improved. It sets a much firmer and clearer basis for contractual performance management for the managers concerned and aims to limit grey areas open to mismanagement, e.g. in respect of the payment of performance bonuses.

The Local Government: Disciplinary Regulations for Senior Managers, 2010 contained in Government Notice No. 344 of 21 April 2011 contains a disciplinary code for senior managers who are defined as the Municipal Manager and Managers reporting directly to the Municipal Manager. It also deals with substandard performance and the procedures to be followed in addressing such performance.

For purposes of this policy, the senior managers concerned are called "Directors".

The combined effect of the above Acts and Regulations obliges the Council to establish and implement a PMS with the dual purpose of improving the performance of its staff to deliver effective and efficient services based on the IDP and to develop human resources. This will be accomplished by using the PMS to identify the training and development needs of employees and to implement policies and programmes to address those needs, all with the aim of improving the productivity of the Municipality.

This policy is, accordingly, based on legislative requirements and must be implemented to ensure compliance.

3. Purpose

- ✓ The purpose of this policy is to;
- ✓ To enhance organisational/departmental performance against the integrated development plan and the service delivery and budget implementation plan
- ✓ To enhance individual performance against agreed upon performance management objectives
- ✓ To enhance the manager-employee relationship by allowing for frequent communication of expectation in terms of set objectives, accurate performance evaluation and feedback.
- ✓ To manage under-performance in a firm and constructive manner.
- ✓ To give direction to employees in terms of their life-long learning, career progression and personal development.
- ✓ To enable a culture of continuous improved service delivery.
- ✓ To give effect to the legislative obligations of the Municipality to develop a performance management system in an open, transparent and focused manner;
- ✓ To incorporate the performance management processes applicable to the Municipal Manager and Directors into a uniform performance management system and to determine how these processes relate to and link with such system in a holistic and acceptable manner;
- ✓ To provide a firm foundation from which to steer the process of performance management through all phases of implementation and devolvement; and
- ✓ To link and lock the IDP, the Budget and a PMS in a cycle of prioritized, affordable and accountable municipal planning and effective service delivery involving all staff and the local community.

4. Performance Management Goals

- ✓ To represents how the municipality's cycle and processes of performance, planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed.
- ✓ To introduce an objective and fair employee appraisal system that would be useful to ensure that the IDP and PMS are result oriented.
- ✓ To enhance communication in that the main objectives and standards are communicated in a consultative and supportive manner so that each employee understands clearly what is expected from him or her.

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- ✓ To ensure a continuous cycle of planning, capacity building and feedback based on an objective criterion.
- ✓ To provide a centralised record of performance for each employee resulting in the increase of management control over work and results.
- ✓ To instil and sustain a performance culture within the Ga-Segonyana Local Municipality
- ✓ To promote and establish a work contract between employee and supervisor.
- ✓ To remedy poor performance and to reward good performance.
- ✓ To determine the roles of the different role players.

5. Scope

The policy is intended to ensure the consistent implementation of the performance management system within the municipality. Accordingly, this policy applies to;

- ✓ The Municipal Manager
- ✓ Directors who report directly to the Municipal Manager
- ✓ Managers

A phase –in approach will be adopted for the applicability of this policy framework on all other permanently employed employees in terms of a council resolution or any other appropriate delegation as determined by council. The application of the policy from other level on wards is suspended until such time that the Council decides otherwise.

6. The organizational Performance Management System

- ✓ Improve municipal wide performance by enhancing performance at a departmental and municipal level.
- ✓ Ensure alignment between the Integrated Development Plan, Municipal Budget, Service Delivery and Budget Implementation, Performance Agreements or the Municipal Manager's scorecard – and the activities and targets for which the Directorates and municipal entities are held accountable.
- ✓ Ensure constant monitoring and evaluation at this level through quarterly reviews;
- ✓ Enable the Municipality to assess the extent of delivery at strategic points, and to plan for interventions where necessary.

7. The Employee Performance Management System

- ✓ To accelerate work performance of individuals to a higher level and to develop the capacity and ability of the Municipality to sustain performance by encouraging Individual accountability and responsibility for individual performance, as well as development.
- ✓ Improve the organizational performance by enhancing and acknowledging individual exceptional performance and sanction under performance.
- ✓ Communicates the standards and performance expectation to each employee.
- ✓ Clarify expectations of what individuals are required to achieve.
- ✓ Serves as a guide for the development of the skills and competencies of individuals within the organization.
- ✓ Foster a sound working relationship between managers and employees through counselling and coaching i.e. the provision of feedback.
- ✓ Provide a tool for managers to manage the performance of their staff.
- ✓ Allow employees to become more actively involved in managing their own performance.
- ✓ To identify underperformance and to implement and justify the resultant corrective follow-up actions.
- ✓ Reward employees whose performance exceeds the output criteria.

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- ✓ Instil a performance-oriented culture throughout the organization, at the level of employees.
- ✓ Offer improved token of appreciation as part of motivation to reward excellent performance by individuals.
- ✓ Improve communication within the work environment.

8. Principles guiding the Performance Management Policy Framework

- ✓ The framework shall be directly linked to the municipality's Integrated Development Plan in terms of its Vision, Mission and Strategic Objectives to enable the translation of the strategic plan into focus areas.
- ✓ This framework allows for Service Delivery and Budget Implementation Plan (SDBIP) and organisational objectives to be cascaded and aligned throughout the organisation.
- ✓ The management of performance shall be the responsibility of every manager, and shall be done in a consultative, supportive and non-discriminatory manner and as such the performance appraisals shall be objective and consistent
- ✓ Performance management shall not be used as a tool to unfairly favour or prejudice any employee.
- ✓ Personal development will serve as an enabler and a vital integral part of the performance management process.
- ✓ Performance management shall be development orientated and aimed at cultivating good human resource management and career development practices.
- ✓ Each manager shall strive to promote productivity.
- ✓ The system shall ensure that all employees are responsible for achieving service delivery excellence through constantly improving on areas of individual performance and collective effort.
- ✓ Over and above performance will be fairly recognized and rewarded.

9. Alignment of the Planning Process

9.1. The Integrated Develop Plan (IDP)

At the beginning of the term of council, the municipal council and the Mayor will, in consultation with the public and key stakeholders produce an Integrated Development Plan. The IDP outlines the key priorities and objectives for the Municipality for the next 5 years together with the concrete actions and targets for measuring achievement. The plan is reviewed on an annual basis.

The IDP set out the general vision and culture by which the Council will operate and set out the high-level policy steer which guides our work.

9.2. Service Delivery and Budget Implementation Plan (SDBIP)

The priorities and objectives in the IDP are cascaded into the Top Layer Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP outlines High-level plan for 1 year with organizational Key Performance Indicators (KPIs) and Quarterly Targets.

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

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9.3. Performance Agreements (PAs)

The Technical SDBIPs are further cascaded into Performance Agreements to be signed by each head of department which serves as tools to assess the individual performance.

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

9.4. Cascading PMS

- ✓ Performance management in the Municipality is a multilevel process that starts with an overall strategy and cascades to organisational, departmental and employee performance management planning, monitoring and review.
- ✓ The vertical cascade linkage is a downward cascading which links various Municipal process outputs with those of individuals in planning, monitoring progress and evaluation.
- ✓ The cascading of PMS will ensure that each individual is given performance objectives, targets and standards that are linked to the objectives of his/her department and ultimately to the overall council's strategy.
- ✓ The municipality will ensure that the current performance management system is increasingly cascaded to all the employees on a gradual basis subject to availability of funds and related institutional readiness plans.
- ✓ Whereas the Senior Managers will have the performance agreements, lower reporting employees will have score cards.
- ✓

10. Management and the Operation of the System

10.1. Developing the Performance Management System

- ✓ The Mayor manages the development of the performance management system. The system is submitted to the municipal council for adoption and the Mayor assigns the management responsibility for the system to the Municipal Manager in terms of Section 39 of the Municipal Systems Act, 2000.
- ✓ Planning occurs towards the end each financial year following the review and adoption of the IDP and the Budget. Key Performance Indicators and Targets are set at this stage.
- ✓ The municipality must involve the community in the development of the performance management system, setting of KPIs and performance targets in accordance with section 9 and 15 of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

10.2. PMS Operation

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- ✓ The Operation of the system occurs during implementation of the Service Delivery and Budget Implementation Plan, when programmes are implemented and budgets expended.
- ✓ Performance is then measured against key performance indicators and performance targets set for departments in the SDBIP and how these progressively contribute to the achievement of corporate targets of the municipality as contained in the Top-Layer SDBIP.
- ✓ Measurement occurs when value is ascribed to costs, resources and time used to produce outputs using input indicators. It indicates the extent to which municipalities' activities and processes produced outputs in accordance with the identified output indicators. It measures the total improvement brought about by outputs in accordance with outcome indicators.

10.3. Performance Reviews

Performance review of individual managers occurs on a quarterly basis during the periods in the table below.

First quarter	During the first week of October
Second quarter	During the second week of February.
Third quarter	During the first week of April
Fourth quarter and annual review	End of July

10.4. Heads of Municipal Departments

- ✓ Heads of Municipal directorates report to the Municipal Manager in writing on a quarterly basis not later than 7 days after the end of each quarter. The quarterly reports must reflect whether SDBIPS targets are met or not.
- ✓ Individual performance is monitored on a quarterly basis. Section 56 employees are required to complete a quarterly report and making use of the appropriate monitoring mechanisms.
- ✓ The reasons for underperformance must be clearly spelt out, as well as measures to address under performance.
- ✓ It is therefore compulsory for all managers directly accountable to the Municipal Manager to:
 - submit all required performance report within the prescribed timeframes, and accurately within the required format as may be determined from time to time by the accounting officer
 - Be available for all performance review meetings as would have been scheduled by the Accounting officer.
 - Conduct quarterly performance review meeting with direct reporters
- ✓ The reports are made available to the internal audit unit, which make comments and report to the Municipal Manager.
- ✓ The Municipal Manager submits monthly budget statements to the Mayor and the relevant provincial treasury.
- ✓ All performance reports must be submitted to the performance audit committee before submission to council.

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- ✓ Council receives performance reports from the Mayor on a quarterly basis a year. (Local Government: Municipal Planning and Performance Management Regulations, 2001. clause 13(2 (a)). The reports should be accompanied by the report of the Audit Committee.
- ✓ The results of the review process will be used to develop corrective measures to improve performance and inform the subsequent stages of planning.
- ✓ Mid-term assessment of the institutional performance occurs in January of every year. This review also identifies the strengths, weaknesses, opportunities and threats of the municipality in meeting targets set in the Service Delivery and Budget Implementation Plan. It also measures the economy, efficiency, effectiveness in the utilization of resources and the impact government programmes are having on the lives of the people and communities.
- ✓ A comprehensive report indicating the performance of the municipality for the 1st six months of the financial year will be prepared for council approval.

10.5. National Key Performance Indicators

Municipalities are also expected to set objectives to respond to the **7 National General Key Performance Indicators** as prescribed by the Local Government: Municipal Planning and Performance Management Regulations, 2001 by integrating them in their IDP objectives. They are as follows:

- ✓ The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
- ✓ The percentage of households earning less than R1100-00 per month with access to free basic services.
- ✓ The percentage of the Municipality's capital budget actually spent on capital projects in terms of the IDP. The number of local jobs created through the Municipality's local, economic development initiatives, including capital projects.
- ✓ The number of people from employment equity target groups employed in the three highest levels of management in compliance with a Municipality's approved employment equity plan.
- ✓ The percentage of a Municipality's budget actually spent on implementing its workplace skills plan.
- ✓ Financial viability with respect to debt coverage; outstanding debtors in relation to revenue and cost coverage.

10.6. The Balance Score Card

The municipality has adopted the **balanced score card** as a model to implement its performance management System. The model enables the municipality to create a link between its mission and vision with the IDP priorities and objectives. These are further cascaded down through the SDBIP. Below is the balance scorecards perspectives,

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

Table 2: Balanced Scorecard Perspectives

10.7. Performance Audit

- ✓ The Municipal Planning and Performance Management Regulations, 2001, requires municipalities to develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its auditing processes. This is meant to ensure that performance information collected by the municipality is verifiable, reliable and correct.
- ✓ The Regulations and the MFMA provides for the establishment of an internal audit function. Internal auditing must include assessment of the following:
 - The functionality of the municipality's performance management system.
 - Whether the performance management system complies with the relevant provisions of the Municipal Systems Act, 2000.
 - The extent to which the municipality's performance measurements are reliable in measuring performance.
 - On a continuous basis, audit the performance measurements of the municipality.
- ✓ The internal audit will produce an audit report on a quality basis to be submitted to the municipal manager and the Performance Audit Committee. The municipality will ensure that the internal audit unit fully capacitated.
- ✓ The Audit Committee established in terms of the MFMA will perform the function of performance audit and also complies with the Planning and Performance Regulations of 2001 with regard to membership. The functions of the PAC are:
 - review quarterly reports submitted to it by internal audit unit
 - review the municipality's performance management system and make recommendations in this regard to council
 - assess whether performance indicators are sufficient
 - at least the reliability of the information reported
 - assess the annual performance evaluation report
 - any other functions as per the planning and performance regulations

11. Municipal Public Accounts Committee

- ✓ A recent innovation has been the establishment of the Municipal Public Accounts Committees. This is an oversight Committee of Council but will be administratively supported by the internal audit unit.

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12. Performance Assessment and Rewards

- ✓ A thorough assessment of performance of managers is conducted at the end of the financial year by an evaluation panel
- ✓ For purposes of evaluating the annual performance of the municipal manager, in evaluation panel constituted of the following persons must be established
 - Chairperson of the Performance Audit Committee
 - Member of a ward committee as nominated by the Mayor
 - Member of the Executive Committee
 - Mayor or Municipal Manager from another municipality
- ✓ For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established –
 - Municipal Manager;
 - Chairperson of the performance audit committee
 - Member of the Executive committee
 - Municipal manager from another municipality.
- ✓ The manager responsible for human resources of the municipality must provide secretariat services to the evaluation panels referred to in sub-regulations
- ✓ Managers are assessed based on (80%) on their core functions in line with the Six Key Performance Areas and 20% on the Core Managerial and Occupational Competencies.
- ✓ A performance bonus ranging from 5% to 14% of a manager's total inclusive package may be paid for outstanding performance as per the table below:

Final Score	Bonus %
130%-134%	5%
135%-139%	7%
140%-144%	8%
145%-149%	9%
150%-154%	10%
155%-159%	11%
160%-164%	12%
165%+	14%

Table 1: Performance Bonus %

Rating	Actual Performance Rating (Rating scale from 1-5)	Relative Weight out of 100%
	1	33
	2	67
	3	100
	4	133
	5	167
Total weighted score for all KPI (sum of weighted scores):		

Table 5: Weighting and Scoring

- ✓ For all other levels of employees, the immediate manager is responsible for reviewing and rating performance and for submitting review results to the moderation committee
- ✓ The composition of the Moderation Committee shall be at the sole discretion of the Accounting Officer unless otherwise specified under the remuneration policy.
- ✓ The results of the assessment for Section 56 Managers must be verified by the PAC and submitted to the Mayor and Council for approval at the council meeting approving the Annual Performance Report.
- ✓ The assessment report for all other non-Section 56 Managers must be approved by the Municipal Manager in his/her Capacity as the Accounting Officer.

13. Rewards

Municipal Managers, Managers directly accountable to the Municipal Manager and Managers on Fixed Term Employment

- ✓ A score of 130%-149% shall be awarded financial reward in the form of performance bonus ranging from 5% to 14% depending on their final score

13.1 Permanent Employees (applicable only within the operational scope of the municipality)

- ✓ Employees on permanent contracts of employment are eligible to receive rewards ranging from 5 to 10% of their annual salary
- ✓ Annual increases for permanent employees are not linked to performance
- ✓ Bonuses of permanent employees are not linked to performance but are paid annually as 13th cheque

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In a case where the municipality has not budgeted for performance bonuses, section 56 managers and non-section 56 managers must receive non-financial reward.

Final Score	Bonus %	Non-financial reward/days
130%-134%	5%	5 days
135%-139%	7%	6 days
140%-144%	8%	7 days
145%-149%	9%	8 days
150%-154%	10%	9 days
155%-159%	11%	10 days
160%-164%	12%	11 days
165%+	14%	12 days

14. Section 56 Managers, Employee and managers on fixed term contracts

- ✓ Every section 56 employee and employees on fixed term contracts are required to have a performance scorecard which should be finalised and signed by the end of July of each financial year
- ✓ The Local Government Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers requires that the “parties must review the provisions of this agreement during June each year and must conclude a new performance agreement that replaces the previous agreement at least once a year **within one month after the commencement of the new financial year.**”
- ✓ In cascading the performance management system downwards to all other levels, the same principles will apply where each individual employee will sign his /her specific score card /work plan related to the functional scope of his/her responsibility with his/her supervisor
- ✓ The score card/work plan shall be reviewed annually to ensure proper alignment with the technical service delivery and budget implementation plan and the performance agreement of the relevant section 56 manager of the specific directorate.

15. Scorecard Integration

- ✓ It is important that integration occurs between the Top Layer SDBIP and individual performance.
- ✓ All key performance indicators and targets captured in Top Layer SDBIP must be included in senior management and individual scorecards.
- ✓ All relevant KPIs and targets from the Top Layer and Technical SDBIP are taken into consideration in the drafting of the individual performance agreements.
- ✓ The interdependence in the attainment of KPIs and targets must be clearly captured. This will serve to assist in integration of deliverables, so that the Municipality performs in an integrated manner.
- ✓ The Municipal Manager must communicate the interdependence with all the affected role players
- ✓ When the score card /work plan of all other managers reporting to the Senior Manager is developed, it must be directly linked to the relevant technical SDBIP and score card of the concerned manager

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- ✓ To ensure any interdependency, features and standards thereof are set and Directors and managers have common understanding and that they have been included in other individual scorecards where necessary.
- ✓ The various score cards and performance agreement must be regularly amended, integrated and adjusted as the SDBIP is amended

15.1. Planning: Scorecard Development

- ✓ The number of KPI in each scorecard should be limited to develop appropriate focus.
- ✓ Scorecards should include KPAs and KPIs for which the scorecard owner has control over the implementation of the KPA and associated KPIs included in his/her scorecard.
- ✓ All KPIs should adhere to the SMART principle (within the span of control of the simple, measurable, achievable, realistic, and time-bound).
- ✓ The question of whether the KPIs indicated appropriately line up with the KPA should be asked – to ensure that appropriate indicators of success have been identified in respect of each performance area.

15.2. Assigning Weightings and rating based target

- ✓ Scoring of performance takes place at the level of KPIs.
- ✓ In essence when establishing the scorecard, each objective is assigned one or more Key Performance Indicators (KPIs).
- ✓ Each KPI is then considered in terms of the scale of 1 to 5, and the indicators of performance at each level must be defined.
- ✓ In so doing, by achieving the targets in full, the individual will receive a score of 3.
- ✓ By exceeding the target by the level specified, the individual will be scored for this excess, through the assignment of a “4” or “5”.
- ✓ Each Objective will therefore include the KPIs, the baseline and target, and a description of achievement against a 1, 2, 3, 4 or 5 for each KPI. This eliminates subjectivity or bias in the system.

15.3. Targets and Baselines

- ✓ Where baselines have not been finalised by the start of the new performance cycle, these should be finalised at the first quarter review.
- ✓ Sound records of all confirmed targets and baselines are to be signed and maintained. Both the manager and the employee should keep a record of the updated signed scorecard.
- ✓ Once targets are identified, the question should be asked as to whether these are too easy.

15.4. Evidence / Means of Verification

- ✓ The owner of the scorecard takes responsibility for ensuring that the form of evidence identified within his/ her scorecard will be carried out / provided (e.g. ensuring that the relevant survey is undertaken – even if it is just about following up with the driver of such a survey).
- ✓ The form of evidence or measure identified in the scorecard must be realistic, relevant, independent and manageable.
- ✓ In terms of evidence being manageable, extensive checks of evidence such as files submitted may best be carried out through application of electronic systems where feasible, or through a report being provided by internal audit following their review of data.

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- ✓ Evidence to an effect that a certain event or occurrence (deviation) disturbed achievement of the target does not justify full score.

16. Amending the individual performance scorecard at the mid-year review

- ✓ At the mid-year review, amendments may be made to the employee's performance scorecard. These amendments may be affected if:
 - I. The achievement or non-achievement of the particular KPI will be out of the employee's/team's span of control (e.g. the budget has been pulled from the project);
 - II. The Municipality has changed its scorecard, and the achievement of the KPI is no longer strategically important.
 - III. Since performance is done on a dynamic environment, should any disparities realized then contents of the Agreement shall immediately be revised.
- ✓ Any amendments must be reflected on a new performance scorecard, developed in accordance with the procedure in the performance agreement. The employee will be reviewed and rated on the amended scorecard. The employee and manager must sign the amended scorecard and a copy must be kept by both the manager and the employee

16.1. Conducting the Final Performance Review

- ✓ At the final review, the manager and employee should discuss each Key Performance Indicator and each preliminary rating;
- ✓ The formal review is a consultative process – therefore, the rating of an employee should be explained fully throughout the review and the employee should be provided with an opportunity to discuss the rating in order to either influence or understand the rating;
- ✓ As part of these discussions, the manager and the employee should review any evidence used in the determination of a "rough score" to decide upon a final rating;
- ✓ The outcome of the review process is a jointly agreed rating;

17. Performance Moderation

17.1 The Moderating Committee

- ✓ The moderation process ensures that there is consistency in the management and measurement of individual performance across the Municipality. This process also serves to entrench the link between the measurement of individual performance and organisational performance
- ✓ The moderation process differs according to levels of employees within the Ga-Segonyana Local Municipality. It takes place after the formal performance reviews but before final reward decisions have been made.
- ✓ The Moderating Committee shall in respect of permanent employees who are affected by the policy
 - Conduct assessment moderating meetings to review and/or ratify assessment outcomes.
 - Ensure that there is an objective assessment of all employees' performance.
 - Ensure that performance bonuses are widely distributed and that pay progression and bonuses are within budgetary provisions
 - Monitor procedural
 - and substantive compliance with the policy in assessing employees' performance;
 - and

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- Provide the Accounting Officer with recommendations relating to performance assessment reports presented to it.
- Recommend changes (if any, based on patterns of use and/or problems encountered) to enhance the PMS Policy

17.2. The Performance Assessment Appeal Panel

The Appeal Panel shall

- ✓ moderate on all assessment reports of employees who have lodged grievances
- ✓ provide the Accounting Officer with recommendations on the grievance lodged;
- ✓ Monitor procedural and substantive compliance with the policy in assessing performance of employees.

18. Dispute Resolution

- ✓ Any disputes about the nature of the employee's performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/ or salary increment in the agreement or the outcome of the employee's performance evaluation must be mediated by –
 - In the case of the municipal manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC; and
 - In the case of managers directly accountable to the municipal manager, the mayor within thirty (30) days of receipt of a formal dispute from the employee; whose decision shall be final and binding on both parties
 - The employee may follow either the normal grievance procedure and/or the dispute resolution process, depending on the nature or circumstances of the grievance/dispute; and
 - The employer commits to speedy resolution of these matters, within 30 days of finalisation of the performance review. Should employees not agree with the final scores allocated to them by their manager after the review discussions, they are required to follow the Municipality's grievance procedure.

19. Managing Poor Performance

- ✓ It is the manager's responsibility to follow up on the performance review of an employee who was ranked as a poor performer. It is important to note that an employee may not be dismissed due to his poor performance unless he has received appropriate evaluation, instruction, training, guidance or counselling.
- ✓ The management of poor performance should occur throughout the performance period so that the employee does not hear that his/her performance is not satisfactory for the first time in an annual performance appraisal meeting.
- ✓ The Code of Good Practice in the Labour Relations Act requires an employer to:
 - Investigate to establish the reasons for the employee's unsatisfactory performance;
 - Give the employee appropriate evaluation, instruction, training, guidance or counselling;
 - Allow the employee a reasonable time to improve; and
 - Consider alternative sanctions short of dismissal.
- ✓ The manager must assess the employee's review, and identify a course of action that will address the shortcomings. Whilst the primary aim is to assist the employee to achieve satisfactory work performance, there is the possibility that it may also ultimately lead to dismissal.

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20. Appointment during the Year

- ✓ A newly appointed employee and his/her manager must agree a performance scorecard for the balance of the year. However, the employee becomes eligible for participation in the performance management system. Any incentive bonus for performance achievement will be pro-rated for the length of time employed in the year.
- ✓ The employee becomes eligible for performance **rewards** after **three (3) months** of employment. Provided that he/she:
 - Has a **signed performance agreement and scorecard?**
 - Met all requirements of the performance agreement and scorecards
 - **Performance reward** being **pro-rated** for the length of time employed within the financial year.

✓ **Internal department transfers and appointments**

If an employee is transferred or appointed to a different department during the year, the following conditions apply:

- The departing employee must have a performance review with the manager and agree on the level of performance reached to date in the year; the manager must provide an assessment (review) report based on the actual performance at the time of departure.
- The assessment (review) report must be forwarded to the new manager.
- The new manager and the employee must then agree on a performance scorecard for the balance of the year.
- At the end of the financial year the review report (from the old department) is then reconciled with the final assessment/reviews (in the new department)
- It is important in both departments that the employees must have signed the performance agreement and scorecard.

✓ **Conversions from permanent employment to fixed term contract**

Employees, who convert during the financial year to fixed term contract, are regarded as new appointments and the same provisions outlined above will be applicable.

21. Communicating the System

- ✓ To address the issue of the extent to which employees understand the performance management system and target achievement, regular engagement processes with employees shall be structured and include:
- ✓ Quarterly meetings that involve discussion of the SDBIP formulation and progress, to which employees are invited, and through which all can develop a greater sense of the end target of their own responsibilities.
- ✓ Responsibility for communication of these issues rests with the office of the Municipal Manager.
- ✓ Communication of an accountability framework and process map of performance management to all parties, to ensure an understanding of how the Municipality's SDBIP is devised and;
- ✓ The achievement of the municipal strategy is reliant on the alignment of the IDP, Budget and SDBIPs and the performance management system.
- ✓ Without regular performance appraisals and coaching, the system becomes redundant and implementable.

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- ✓ A further cascading of the policy to lower reporting levels will aid the municipality to instil a culture of performance and reporting.
- ✓ The draft policy is therefore tabled before council for noting in order to start the necessary engagements with affected stakeholders and consultation with both labour and communities.

22. Conclusion

The achievement of the municipal strategy is reliant on the alignment of the IDP, Budget and SDBIPs and the performance management system. Without regular performance appraisals and coaching, the system becomes redundant and implementable. A further cascading of the policy to lower reporting levels will aid the municipality to instil a culture of performance and reporting. The draft policy is therefore tabled before council for noting in order to start the necessary engagements with affected stakeholders and consultation with both labour and communities.

