



Steve Tshwete
Local Municipality

Steve Tshwete Local Municipality Performance Management System Framework (2020-2021)





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GLOSSARY

1. “**STLM**” refers to Steve Tshwete Local Municipality.
2. “***The Municipality***” refers to the Steve Tshwete Municipality.
3. “**MM**” refers to the Municipal Manager.
4. “**CFO**” refers to the Chief Financial Officer.
5. “**HRD**” refers to Human Resources Development
6. “**HRM**” refers to Human Resources Management
7. “**IDP**” refers to Integrated Development Plan
8. “**LED**” refers to Local Economic Development
9. “**District**” refers to Nkangala District Municipality
10. “**PDP**” refers to Personal Development Plan
11. “**SDBIP**” refers to Service Delivery Implementation Plan
12. “**BSM**” refers to Balanced Scorecard Model
13. “**MFMA**” refers to Municipal Finance Management Act
14. “**CCR**” refers to Core Competency Requirement
15. “**OPM**” refers to Organizational Performance Management
16. “**IPM**” refers to Individual Performance Management



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1. PREAMBLE

The White Paper on Local Government (1998) proposed the introduction of Performance Management Systems (PMS) for local government as a tool to monitor the progress of service delivery at local government level. In 2000, the Municipal Systems Act of 2000, required local governments to develop a PMS. It concluded that Integrated Development Planning, Budgeting and Performance Management are powerful aspects that can help municipalities to develop an integrated perspective on development in their area.

The policy framework offers the Steve Tshwete Local Municipality a platform to implement, assess, monitor, measure, review, manage and reward performance throughout the municipality. It further commits the Steve Tshwete Local Municipality to achieving its stated objectives and levels of performance.

2. USER AWARENESS/COMMUNICATION OF POLICY

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

The following concepts are crucial in the understanding and effective implementation of the Performance Management System:

CONCEPT	DEFINITION
Performance Management System (PMS)	The Performance Management System is used to ensure that all segments of the municipality work together to achieve the goals and targets set for the municipality.
Organizational Performance Management (OPM)	Concerned with the overall performance of the municipality in relation to giving effect to the IDP of the municipality.
Management Individual Performance (IPM)	Each individual staff member will have performance objectives, targets and standards that are linked to the objectives of the section, the department and the municipality as a whole.

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CONCEPT	DEFINITION
Integrated Development Plan (IDP)	A clearly defining 5-year Strategic Plan for the municipality that should be reviewed annually.
Key Performance Area (KPA)	Key areas of responsibility.
Key Performance Indicator (KPI)	Qualitative or Quantitative measures that tell us whether the municipality is making progress towards achieving the desired objectives and results.
Objectives	Statements about the outcomes the municipality wants to achieve.
Input Indicators	Indicators that measure resources, economy and efficiency.
Output Indicators	Indicators that measure whether a set of activities yield.
Outcome Indicators	Measure the broader results and impact of services on communities.
Targets	The level of performance achieved by a specific time.
Baseline Indicators	The status quo before the start of a programme. The base from which progress will be measured.
Benchmarking	A process whereby an organization of a similar nature uses each other's performance as a collective standard against which to measure their own performance.



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3. PURPOSE

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

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

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

4. DOCUMENTS THAT SHOULD BE READ WITH THE POLICY/LEGISLATIVE FRAMEWORK

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



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

5. SCOPE OF APPLICABILITY OF THE POLICY

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

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

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

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

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

6. ROLES AND RESPONSIBILITIES

6.1 Municipal Council's Political Oversight

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

6.2 Executive Mayor

Planning
<ol style="list-style-type: none"> Submits priorities and objectives of the Integrated Development Plan to Council for approval. Submits the PMS framework for approval. Submits the municipal top level service delivery and Budget Implementation plan for approval. Approves the lower level Service Delivery and Budget Implementation Plan. Enters into a performance agreement with the Municipal manager on behalf of Council. Assigns the responsibility for the management of the PMS to the Municipal Manager.
Monitoring

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Review	Reporting	Performance Audit
<ol style="list-style-type: none"> Proposes to Council, the annual review programme of the IDP, including the review of key performance indicators and performance targets. Proposes the annual performance measures of the municipality as part of the new municipal strategic scorecard. Proposes changes to the priorities, objectives, key performance indicators and performance targets of the municipality. Quarterly evaluates the performance of the municipality against adopted KPIs and targets. Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality. Quarterly and annually evaluates the performance of the Municipal Manager. 	<ol style="list-style-type: none"> Receives performance reports quarterly from the internal auditor. Receives performance reports twice a year from the Audit Committee. Receives quarterly reports from the Municipal Manager on the performance of Directors and the rest of the staff. Reports to Council on the performance of the municipality twice a year. Reports to Council on the recommendations for the improvement of the performance management system. Annually reports on the performance of the Municipal Manager and Directors. 	<ol style="list-style-type: none"> Submits the municipal annual audit plan and any substantial changes to it to Council for approval. Approves the implementation of the recommendations of the internal auditor with regard to both improvement in the performance of the municipality or improvement of the performance management system itself. Receives performance audit report from the Auditor General and makes recommendations to Council.

6.3 The Municipal Manager

Planning	Implementation	
<ol style="list-style-type: none"> Co-ordinates the process of needs identification and prioritization among all stakeholders, including community structures. Coordinates the formulation and revision of the PMS framework. Coordinates the formulation and revision of the municipal strategic scorecard that includes key performance indicators and performance targets. Leads the process of the formulation and revision of the Service Delivery and Budget Implementation Plans. Enters into a performance agreement with Executive Directors on behalf of Council. Enters into a performance agreement with the Executive Mayor. 	<ol style="list-style-type: none"> Manages the overall implementation of the IDP. Ensures that all role players implement the provisions of the PMS framework. Ensures that the divisional and departmental scorecards as well as divisional and departmental annual programmes serve the strategic scorecard of the municipality. Ensures that annual programmes are implemented according to the targets and timeframes agreed to. Implements performance improvement measures approved by the Executive Mayor and the Council. Ensures that performance objectives in the Executive Directors' performance agreements are achieved. 	
Monitoring		
Review	Reporting	Performance Audit

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<ol style="list-style-type: none"> 1. Formulation of the annual review programme of the IDP, including the review of key performance indicators and performance targets for the consideration by the Executive Mayor. 2. Formulation of the annual performance improvement measures of the municipality as part of the new municipal strategic scorecard. 3. Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality. 4. Quarterly and annually evaluates the performance of Directors. 	<ol style="list-style-type: none"> 1. Receives performance reports quarterly from the internal auditor. 2. Receives performance reports twice a year from the Performance Audit Committee. 3. Receives monthly departmental performance reports. 4. Reports once in two months to the Executive Mayor on the performance of Executive Directors and Departments. 5. Reports on the implementation of improvement measures adopted by Executive Mayor and Council. 6. Annually reports on the performance of Executive Directors. 7. Submit the municipal annual report to the Executive Mayor 	<ol style="list-style-type: none"> 1. Formulates the municipal annual audit plan. 2. Formulates a response to the recommendations of the internal auditor and the Audit Committee. 3. Formulates a response to the performance audit report of the Auditor General and makes recommendations to the Executive Mayor
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6.4 Executive Directors

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



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6.5 Heads of Departments

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

6.6 Director Development and Strategic Support / Assistant Director PMS

Planning/Review	Monitoring
<ul style="list-style-type: none"> • Ensure alignment between organisational and employee performance management • Advises on scope and framework of performance management and guide activities such as employee reviews/evaluations, training, mentoring and coaching to enhance municipal understanding of the performance management phases. 	<ul style="list-style-type: none"> • Advise on daily issues pertaining to performance management and the achievement of outcomes, outputs and performance indicators • Monitor the functioning of the PMS

Reporting	Evaluation
<ul style="list-style-type: none"> • Report on the performance of the municipality and identify areas where improvement may be required. • Report on the functioning of the PMS 	<ul style="list-style-type: none"> • Test the integrity of reports and documents in preparation for audit

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<ul style="list-style-type: none"> Report on progress regarding the implementation of and compliance to the PMS framework of a municipality Report irregularities noted to senior management with respect to the implementation of the PMS 	<ul style="list-style-type: none"> Submit relevant reports to management and assurance bodies regarding the PMS and performance management.
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6.7 Staff

Planning/ Review	Monitoring
<ul style="list-style-type: none"> Participates in the development of the departmental scorecard and annual plan. Participates in the development of their own performance measurement. 	<ul style="list-style-type: none"> Executes individual work plans. Participate in the review of departmental plans Participate in the review of own performance
Reporting	Evaluation
<ul style="list-style-type: none"> Report on the lower level performance plans and indicators Report to line manager 	<ul style="list-style-type: none"> Self-assessment of progress regarding implementation of programmes and projects

6.8 Internal Auditor

Planning/Review	Monitoring
Develop a compliance based audit plan	<ul style="list-style-type: none"> Measure the performance of departments according to KPIs and performance targets Review/ assess/ test if the PMS complies with the applicable legislation Audit the performance measures in the municipal scorecard and departmental scorecards Conduct compliance audits Review the risk profile

Reporting	Evaluation
<ul style="list-style-type: none"> Report quarterly on the performance of the municipality to the Municipal Manager Report in terms of targets achieved Submit quarterly audit reports to the Performance Audit Committee Submit bi-annual performance reports to the AG 	<ul style="list-style-type: none"> Measure the performance of departments according to KPIs and performance targets Audit the performance measures in the municipal scorecard and departmental scorecards Conduct compliance audits Conduct performance audit as per may mandated by Council



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6.8 Audit Committee

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

6.9 Union

Planning	Implementation
Trade Unions represent members' interests, specifically in relation to the human resource planning aspect of the performance management system	Negotiation and communication of the implementation The monitoring of implementation of the performance management system from a labour perspective
Monitoring	
Review	Reporting
1. Participate in the public review of the performance management system	1. Participate in the formulation of annual performance reports by making inputs

6.10. Local Community

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



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7. POLICY REVIEW

The policy shall be reviewed as and when necessary preferably annually.

CHAPTER 1

1. RATIONALE FOR PERFORMANCE MANAGEMENT

1.1 STLM Performance Management Principles

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

- **effective** utilization of financial and human resources,
- **simplicity** so as to facilitate implementation given any current capacity constraints,
- **politically acceptable** to all political role-players,
- **administratively managed** in terms of its day-to-day implementation,
- **implementable** within any current resource constraints,
- **transparent and accountable** both in terms of developing and implementing the system,
- **efficient and sustainable** in terms of the ongoing implementation and use of the system,
- **objectively** based on credible information,
- **reliability** of the information provided on the progress in achieving the objectives as set out in its IDP,
- **Aligned** with other municipal initiatives, like the IDP and the Budget.

1.2 Objectives of Performance Management System (PMS)

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

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

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

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

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

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

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

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

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

Creating a culture that strives towards an achievement focus culture by:

- Generating the ability to translate the strategy to operational terms;
- The ability to align and integrate the organisation to the strategy;
- The ability to make strategy everyone's daily job, increasing buy-in at all levels
- To mobilise change through executive leadership;
- The ability to improve participative and consultative management styles

1.3 Key Elements of the Performance Management System (PMS)

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

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

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

CHAPTER 2

2.1 PERFORMANCE MANAGEMENT AND MEASUREMENT AT VARIOUS LEVELS

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

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

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

Section 1 of the MFMA defines the SDBIP as:

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

(a) projections for each month of-

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

(ii) operational and capital expenditure, by vote;

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

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

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

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



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The following figure indicates the performance measurement at various levels:

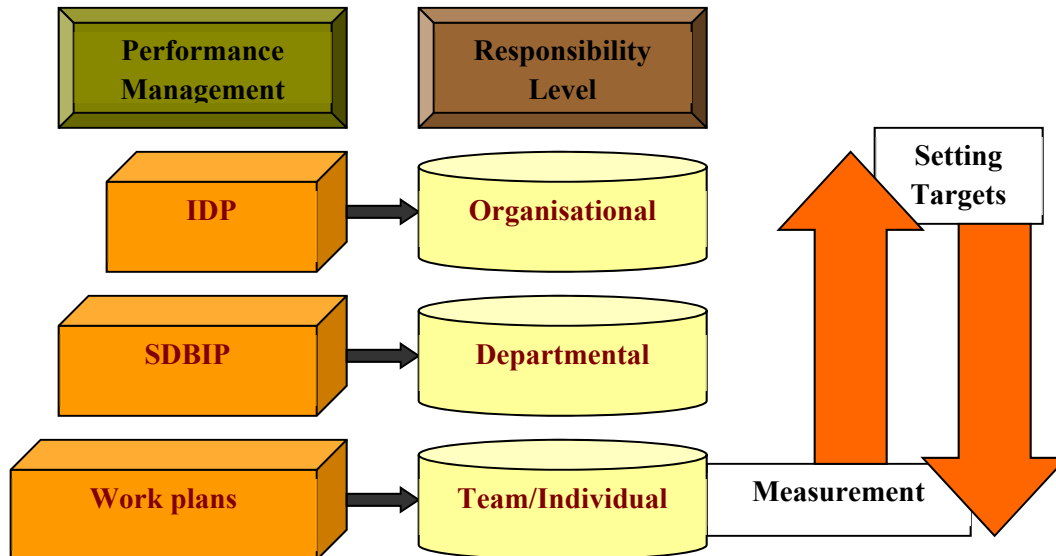


Figure 1: Levels of Performance Management and Measurement in STLM

The Municipal Planning and Performance Management Regulations stipulate that a municipality's Performance Management System (PMS) must entail a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role-players. The individuals in the municipal administration will obviously play a central and management role in the performance management of the municipality.

As required by legislation, this documents sets out:

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

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

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

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

CHAPTER 3

3. PERFORMANCE MANAGEMENT FRAMEWORK

A municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.

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

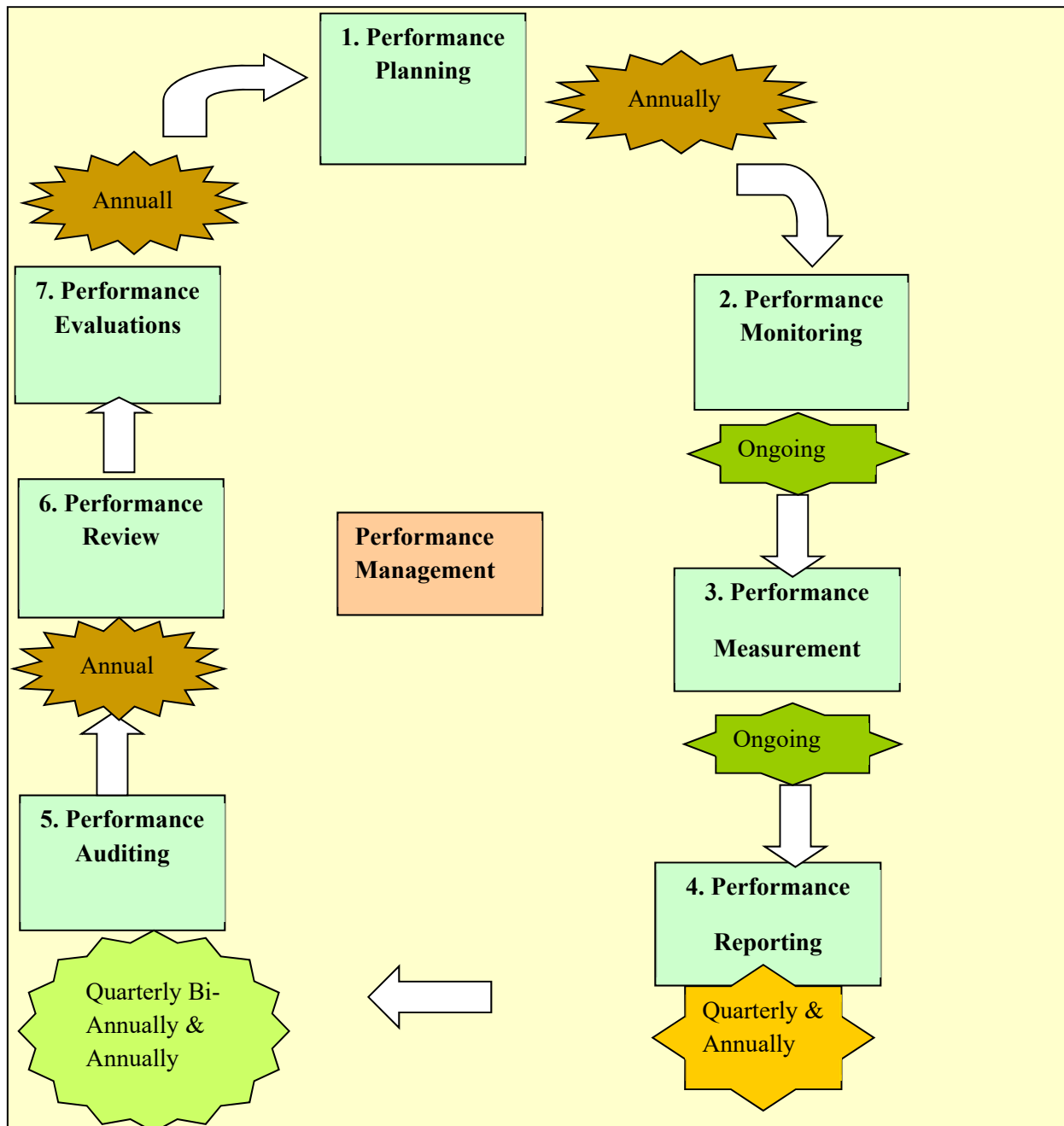
On the same note, it can be highlighted that the framework will assist the municipality to establish a culture in which individuals and departments take responsibility for the delivery on set targets and indicators. It also helps to focus the organisation on the types of skills that employees require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

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



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: The Steve Tshwete Municipal Performance Management Process**





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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.

3.1.1 Performance Planning

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

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

In order to ensure that the municipality meets its organisational performance indicators and targets, it is appropriate to introduce performance measurement plans for the individual employees within the municipality. Thus each individual is given performance objectives, indicators and targets that are linked to the objectives of the department and ultimately to those of council.

It is again crucial that objectives, indicators and targets are developed for all the priorities in the Integrated Development Plan.

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

3.1.2 Performance Monitoring

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

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

The Head of Department will be responsible for each indicator on the departmental plan. While this official will not necessarily be accountable for performance on this indicator,



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he/she will be responsible for conducting measurements of that indicator, analysing and reporting these for reviews.

Process flow through the electronic performance management system.

Process flow	Timeline
Develop and sign performance plan (Organisational and Individual)	30 days after the commence of the new financial year
Load performance plans on electronic performance system	As soon as the plan is approved and signed
Electronic Performance Reporting	
Reporting on each KPI relevant to each target in each quarter	Continuous reporting throughout the relevant quarter
Preparation, compilation and uploading of PoE	Continuous reporting throughout the relevant quarter
Systems closed for performance reporting – uploading of information	10 working days after the quarter has ended
Assigned supervisor to approve submitted performance reporting	5 working days after performance reporting
Performance Auditing of performance information reported	5 working days after approval of performance reporting
Monitoring and evaluation	Throughout the performance reporting and approval processes
Compilation and signing of the Organisational report of the relevant quarter	After the Internal Audit process has been completed.

3.1.3 Performance Measurement

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

This measurement process includes the comparison of current performance with targets, past performance and possibly the performance of other municipalities, where data is available, to determine whether or not performance is poor. The reasons for poor



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performance are analysed and bring about suggestions for corrective action where necessary.

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

3.1.4 Performance Reporting

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

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

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

Council reports twice per annum to the community through mechanisms determined by it through its community participation and communication policy.

Council also reports annually to the Office of the Auditor General and the MEC responsible for local government in the province. The MEC consolidates all municipal annual reports in the province and reports to the Minister responsible for Provincial and Local Government who in turn will present a report on the state of local government to the national assembly.

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

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

3.1.5 Auditing

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

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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.

a) Internal Auditor will:

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

b) Audit Committee

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

3.1.6 Performance Review

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

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

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

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



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

3.1.7 Performance Evaluations

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

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

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

The performance of the employee in relation to his or her performance agreement (Section 54(a) and 56 managers) must be reviewed on the following dates:

Quarter	Duration	Assessment timeframe
First Quarter	July - September	Informal assessment (during quarter 2)
Second Quarter	October - December	Formal assessment (during quarter 3)
Third Quarter	January-March	Informal assessment (during quarter 4)
Fourth Quarter	April-June	Formal assessment (during quarter 3 of the following F/Y)



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Rating Performance

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

Underperformance

The reasons for underperformance (variance reason) as well as corrective measures needs to be clearly stated. Further explanation of the challenges experienced and/or the current status of the projects should be provided:

- The time and effort required;
- The difficulty of implementing the performance measurement systems;
- Constraints by the information available from the systems etc.;
- Whether it was on the organisations control or not
- Within what project phase (Initiation, planning, execution, Monitoring and control, closure) was the phase vulnerable and how
- How and what measures can be put in place to get the performance in line with the target

3.2 PERFORMANCE REWARD SYSTEM

The primary purpose of the PMS Reward System is:

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

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

- Create a positive environment
- Motivate high performance
- Reinforce desired behaviour
- Create a culture of recognition

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- Increase morale
- Support the municipality's mission and values
- Increase retention of staff and decrease the turnover of staff
- Encourage loyalty and identification with the municipality

3.2.1 The Reward System/ Performance Bonuses

Municipalities are legally obliged to have remuneration and reward policy that sets out the link between performance and rewards for the Municipal Manager and the first level managers reporting directly to the Municipal Manager (Section 54A Employees). Section 56 of the Municipal Systems Act (2002) and the PMS Regulations of 01 August 2006 set the guidelines to follow in this regard.

However, it is also recommended for a municipality to develop and implement a reward system for all its employees which is linked to the individual performance of every individual employee to encourage higher standards of performance in the municipality. Two categories of municipal employees have been identified based on the manner in which an employee is employed.

a. Performance Reward Scheme for first level Section 57 Managers

Section 57 Employees have been defined as employees employed under the provisions of Section 57 of the Municipal Systems Act of 2002 on a performance based fixed term employment contract. In Steve Tshwete Local Municipality the Municipal Manager and the Executive Directors reporting directly to the Municipal Manager are defined under this category. These employees will be measured and evaluated in terms of the provisions of Section 26 and 27 of the PMS Regulations of 01 August 2006. Section 32 of the Regulations will be applicable in determining performance rewards.

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

b. Performance rewards for Permanent and Other Contract Employees

Permanent employees are defined for the purpose of performance management as employees who are permanently employed by Council and thus covered by the Basic Conditions of Service. Employees employed by contract, other than the Municipal Manager and the first level Managers (section 56 managers), will be treated under the same criteria and conditions for performance management as the defined permanent employees of the Municipality.

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

c. Payment of performance reward to non-section 56 managers (other levels) will be as follows:

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

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

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

3.3 INCENTIVE CATEGORIES

The following categories are proposed:

a) Financial incentives

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

Payment of performance bonuses to Section 54A and 56 Managers ranging from 5% to 14% of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance as indicated in the Local Government, Systems Act, No. 32 of 2000 an regulations, section 32(2)(a) and (b):



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Rating	Terminology	Assessment rating description	Total Assessment score	Performance bonus percentiles / range
5	Outstanding Performance	Performance far exceeds the standard expected of an employee at this level. The employee has achieved fully effective results against all performance criteria and indicators as specified performance agreement and the performance plan and maintained this in all areas of responsibility throughout the year	150% and above	10% -14%
			150 – 153.4	10%
			153.5 – 156.8	11%
			156.9 – 160.2	12%
			160.2 – 163.6	13%
			163.7- 166	14%
4	Performance Significantly above expectations	Performance is significantly higher that what is expected in this job. The appraisal indicated that the employee has achieved above the fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year	130% -149%	5% - 9%
			130 – 133.8	5%
			133.9 – 137.6	6%
			137.7 – 141.4	7%
			141.5 – 145.2	8%
			145.3 - 149	9%
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 Performance Agreement and performance plan	100% - 129%	None
2	Performance not fully	Performance is below the standard required for the job in	66% - 99%	None

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	effective	key areas. Performance meets some of the standards expected for the job. The review/assessment indicated that the employee has achieved below fully effective results against more than half of the key performances criteria and indicators as specified in the performances agreement and performances plan		
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 performances criteria an indicators as specified in the performances agreement and performances plan. The employee has failed to demonstrate the commitment or ability to bring performances up to the level expected in the job despite management efforts to encourage improvement	33% - 65%	

In the case of unacceptable performance, the Municipality will according to Municipal Systems Act No. 32 of 2000, section 32:

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



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Calculating the total score:

Performance score *80%:

Weighting per KPI * point per KPI (1-5) = X

Total weightings (100) * the Maximum marks of the Score (5) = Y

Total of X * the total Y (500) /100% = Z

Z * 80% = Performance score

CCR 20%:

Weighting per competency * point per KPI (1-5) = A

Total weightings (100) * the Maximum marks of the Score (5) = B

Total of A * the total B (500) /100% = Z

Z * 20% = CCR score

b) Non-financial incentives

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

The following are examples of recognition that can be considered –

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



CHAPTER 4

4. PERFORMANCE MANAGEMENT MODEL

A performance management model can be defined as the grouping together of performance indicators, sometimes based on the type of indicator, into logical categories or groups (often called perspectives), as a means to enhance the ability of an organization to manage and analyze its performance. As such a model provides a common framework for what aspects of performance is going to be measured and managed.

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

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

4.1 Four Balanced Scorecard Model (BSM) Perspectives

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

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

The figure below describes the four BSC perspectives.

PERSPECTIVE	DEFINITION	LEADING QUESTION
Customer	The municipality must focus on how to satisfy internal and external clients' service needs	Is the organization delivering the services communities or its customers want?



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Financial	The municipality must focus on how to meet service needs in an effective, efficient and economical manner	Is the service delivered at a good price?
Internal Business	The municipality needs to focus on those critical operations that enable them to satisfy citizens.	Can the organization 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 organization maintaining technology and employee training for continuous improvement?

Figure 3: Balanced Score Card Perspectives

4.2 Implementation of BSM at different levels

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

a. Organizational Level

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

b. Departmental Level

The Various departments in the municipality, as headed by senior managers will make use of a Service Scorecard, which will be linking the municipal priority issues with the 5 national key performance areas. This will automatically then feed into the Council’s BSM, which is also linked to the 6 National KPA’s.

The level of detail contained within these scorecards will be greater than that of the Council’s Scorecard and will be detailed enough to inform the specific KPI’s, Targets and

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Actions of the Individual Work Plans. Further to this, the Core Competency Requirements as anticipated in the Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Managers (2006) will also be included in these Scorecards.

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

c. Individual Level

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

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

CHAPTER 5

5. THE PROCESS OF MANAGING ORGANIZATIONAL PERFORMANCE

The overall purpose of the organizational performance is to ensure that municipality executes its obligation towards the community as expressed in the IDP. Organizational performance is the first step to seamlessly integrate the IDP and performance management. The performance Management framework will provide guidance in terms of the municipality's cycle and processes of performance planning, monitoring, measuring, reviewing, reporting, auditing and quality control.

Key performance indicators in the organisational scorecard will only be measurable on a quarterly and annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance in terms of all the scorecards. Reported



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performance against predetermined objectives is evaluated against the overall criteria of compliance, usefulness and reliability.

5.1 Developmental Objectives

These objectives would serve greatly to inform the KPA's and objectives of the departmental managers, and as such, it would be linked to the KPI's of the departmental heads. The level of detail and refinement of targets and related actions would be greater than that of the Service Scorecard, and would become more specific as it is implemented at lower staff levels in the Municipality.

5.2 Operational Objectives

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

5.3 Skills Development Objectives

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

5.4 Criteria for Good Indicators

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

a) Focused and Specific

Indicators should be clearly focused and stated unambiguously-



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b) Measurable

An indicator should by definition contain a unit of measurement. (e.g. statistics, number of, average, total)

c) Valid and Relevant

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

d) Reliable

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

e) Simple

Good indicators will be simple, easy to communicate such that their relevance is apparent. (simple and easy to understand what is the expectancy of the indicator)

f) Minimize perverse consequences

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

g) Data Availability

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

- Frequency – How often is data collected
- Currency – How recently was data collected
- Accessibility – Is data available when needed to support actual performance

The Technical Indicator Definitions (TID's) are an analysis tool to support the monitoring and evaluation of the data and evidence against the set Key Performance Indicator (KPI). The TID's contains different variables to develop, describe and calculate the outcome of the KPI. It also supports the user's understanding of the usage, measurement and responsiveness of the set KPI. It is important to develop the TID's in a realistic and practical manor so that the inputs can result into the desired outcomes. The outcomes must be supported data that is relevant, recent (related to the specified time period) and within locus of control. By using a data sheet, the data can be tracked and verified to strengthen quality of the evidence.



CHAPTER 6

THE PROCESS OF MANAGING INDIVIDUAL PERFORMANCE

6.1 Performance Management for Municipal Manager, Senior Managers and other employees

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

The highest level of Individual Performance Management is dictated by the Municipal Performance Regulations 805 of 2006 provides the guidelines for the planning of performance for Municipal Managers and Managers directly accountable to the Municipal Managers:

6.2 Employment Contracts

The Municipal Manager and Managers directly accountable to Municipal Managers need to sign Performance Contracts in terms of the MSA Section 57.

According to Section 3 of Regulation 805, municipal managers and managers reporting to municipal managers should sign an employment contract. This contract is fixed for a specific term of employment not exceeding a period ending two years after the election of the next council of the municipality. The contract must provide for a commencement date as well as a termination date. The contract should make provision for the cancellation of the contract in case of non-performance compliance or due to medical incapacity. All contracts are subject to the terms of conditions stipulated in Section 55 of the MSA (2000) as well as all related stipulations within the MFMA (2003). In addition to the above, employment in terms of the employment contract is subject to:

- the signing of a separate performance agreement within ninety (90) calendar days after assumption of duty and annually within one month after the commencement of the new financial year;
- the submission of original or certified copies of academic and professional qualifications and proof of previous employment;
- the signing of the code of conduct as stipulated in Schedule 2 of the MSA; and



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- the disclosure of all financial interest on the date of assumption of duty and annually within one month after commencement of the financial year.

6.3 Performance Agreements

The Performance Agreements between Council and Municipal Manager, Managers directly accountable to Municipal Managers and Managers to be attached to the Performance Contracts. The purpose of such an agreement includes:

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

Performance Management has been cascaded to middle management (levels 1 to 3) as well as to lower levels employees (Level 4 – 6). These employees are required to develop a performance plan to determine specific accountabilities and standards as set out in the performance plan. The performance plan needs to include

Performance objectives:

- These are detailed in the performance plan with targets and the related time frames.
- These are set by the employer in consultation with employees in terms of the IDP, SDBIP and Budget.
- The Performance Plans will include performance objectives, KPI's , targets and weightings
 - Performance objectives describe the main tasks that need to be done.
 - Key Performance Indicators are important measures of a performance and progress toward objectives.
 - Target refers to the timeframe (quantity subdivision).



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- Weighting shows relative importance of Performance objectives to one another.
- Section 25 (4) of the regulations: “The employee’s performance will, in addition, be measured in terms of contribution to the goals and strategies set out in the employer’s Integrated Development Plan”.

According to the Systems Act 32 of 2000:

Section 54A. (1) The municipal council of a municipality must appoint—

- (a) a municipal manager as head of the administration of the municipality; or
- (b) an acting municipal manager under circumstances and for a period as prescribed.

(2) A person appointed as municipal manager or acting municipal manager in terms of subsection (1) must at least have the skills, expertise, competencies and qualifications as prescribed.

Section 56(1) (a) A municipal council, after consultation with the municipal manager, must appoint—

- (i) a manager directly accountable to the municipal manager; or
 - (ii) an acting manager directly accountable to the municipal manager under circumstances and for a period as prescribed.
- (b) A person appointed in terms of paragraph (a) must at least have the relevant skills, expertise, competencies and qualifications as prescribed.

Section 57(4C) Any regulations or guidelines that relate to standards and procedures for evaluating performance of municipal managers or managers directly accountable to municipal managers, and intervals for evaluation, must be regarded as forming part of a performance agreement referred to in subsection (1)(b).”;

Therefore all Municipal Managers and Managers that report directly to the Municipal Manager (Acting or contract) will be required to sign a performance contracts and agreements and will be subjected to comply with the performance management system as well as to performance reviews for the duration of the contract and/or acting period.

6.4 Evaluating Performance

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



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

National KPA's on which a Manager will be evaluated:

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

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

Leading competencies	
Strategic Direction and Leadership	<ul style="list-style-type: none"> • Impact and Influence • Institutional Performance Management • Strategic Planning and Management • Organisational Awareness
People Management	<ul style="list-style-type: none"> • Human Capital Planning and Development • Diversity Management • Employee Relations Management • Negotiation and dispute Management

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Programme and Project Management	<ul style="list-style-type: none"> • Programme and Project Planning and Implementation • Service Delivery Management • Programme and Project Monitoring and Evaluation
Financial Management	<ul style="list-style-type: none"> • Budget Planning and Execution • Financial Strategy and Delivery • Financial Reporting and Monitoring
Change Leadership	<ul style="list-style-type: none"> • Change Vision and Strategy • Process Design and improvement • Change Impact Monitoring and Evaluation
Governance Leadership	<ul style="list-style-type: none"> • Policy Formulation • Risk and Compliance management • Cooperative Governance
CORE COMPETENCE	
Moral Competence	
Planning and Organizing	
Analysis and innovation	
Knowledge and information Management	
Results and Quality Focus	

The Performance Plan must set out the standards and procedures for evaluation of employee's performance and intervals for these evaluations.

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

6.5 Performance Evaluation Panel

- The annual performance evaluation panel for the Municipal Manager includes:
 - Executive Mayor.
 - Chairperson of the audit committee.
 - Member of the Mayoral Committee.
 - Mayor and/or municipal manager from another municipality.



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- Director Development and Strategic Support (Secretariat services)
- Member of the public
- The annual performance evaluation panel for managers directly accountable to the Municipal Manager includes:
 - Chairperson of the audit committee
 - Municipal Manager.
 - Member of the Mayoral Committee.
 - Municipal Manager from another municipality.
 - Director Development and Strategic support (Secretariat services).
- The annual performance evaluation panel for level 1, 2 and 3 Managers includes:
 - Relevant Executive Director/Head of Department.
 - Head of Department/Relevant Supervisor

Responsibility of the panel:

1. Be transparent and objective at all time.
2. Give a fair and reasonable rating/scoring and explanation for each KPI
3. Evaluate the work done and evidence provided for each KPI rather than the person
4. Guide and advice on matters according to the PMS framework
5. Take decisions in accordance to the municipal policies and procedures, especially the PMS regulations and framework
6. Ensure that every KPI is rated and scored correctly
7. Each rating/scoring must be made in ink
8. Scorecard must be signed by the panel member
9. Each completed scorecard must be submitted to the PMS Representative after the assessment review.

6.6 Performance Appraisals.

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

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



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≈ Assessment of CCR's (5 point scale scoring system also applicable).

6.6.1 Annual Performance Appraisals

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

Scale for assessment	Rating/ Scoring	% Achievement	% Achievement
		LOW	HIGH
Outstanding performance	5	167%	+
Performance significantly above expectations	4	133%	166%
Fully effective	3	100%	132%
Performance not fully effective	2	67%	99%
Unacceptable performance	1	0%	66%

- Unacceptable performance, employer must provide systematic remedial development and support.
- Termination of contract may be considered if no improvement takes place, after appropriate counseling and guidance and reasonable time for improvement.

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