

# **THABA CHWEU LOCAL MUNICIPALITY**



## **ORGANIZATIONAL PERFORMANCE MANAGEMENT POLICY**

REVIEWED  
MAY 2024

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## ABBREVIATIONS AND ACRONYMS

CCRs	-	Core Competency Requirements
COGTA	-	Cooperative Government and Traditional Affairs
GKPIs	-	General Key Performance Indicators
HR	-	Human Resources
IDP	-	Integrated Development Plan
IPMS	-	Individual Performance Management
KPA	-	Key Performance Area
KPI	-	Key Performance Indicator
MEC	-	Member of the Executive Council
M&E	-	Monitoring and Evaluation
MFMA	-	Municipal Finance Management Act
OPMS	-	Organisational Performance Management System
PDP	—	Personal Development Plan
PES	—	Performance Evaluation System
PMS	—	Performance Management System
PP	—	Performance Plan
SDBIP	—	Service Delivery and Budget Implementation Plan

## **1. Preamble**

The White Paper on Local Government (1998) proposed the introduction of a Performance Management System (to be referred to as “a PMS”) for local government as a mechanism for monitoring the progress in terms of service delivery. The Municipal Systems Act (2002) prescribed the development and implementation of a PMS as a requirement for municipalities. It is against this background that Thaba Chweu Local Municipality drafted a policy for the development and implementation of a PMS for the institution.

Performance management is a holistic concept and a strategic approach to management. It provides a set of tools and techniques to be used by leaders, managers and employees to plan, monitor, measure and review the performance of the Municipality on a regular basis, in terms of indicators and targets for efficiency, effectiveness and economy.

Embedded within the Performance Management System of Thaba Chweu Local Municipality is the Organizational Performance Management System (to be referred to as “the OPMS”, this policy will only address development and implementation of OPMS.

This Policy relates to the Organizational Performance Management System. The focus of the OPMS is the implementation of the five-year strategy of the Municipality, also known as the IDP. The OPMS therefore consists of processes of planning for the implementation of the strategy on an annual basis (through the the Service Delivery and Budget Implementation Plan or “the SDBIP”), the monitoring of the implementation, the measuring of and reporting on these annual plans.

The scope of the Organizational Performance Management Policy includes employees in the Municipality, in as far as it deals with the annual service delivery plans of the Municipality, the Departments and Divisions – as contained in “the SDBIP”. The Municipal Manager and Senior Managers are held accountable for achieving targets set in respective components of the SDBIP, and therefore signs performance agreements. In terms of the processes of the OPMS, specific staff members will be tasked with reporting, measuring of performance, gathering of information and data. The performance of the Municipality and the respective Departments, as well as the Municipal Manager and Senior Managers, are monitored and assessed.

The Policy was reviewed under item **A83/2021** during a meeting held on 28 May 2022. This document contains the second review, which is done in order to provide for the change in the working environment.

The purpose of this policy is to provide a guideline and standard against which the annual performance plans of the respective divisions, departments and the Municipality will be planned, monitored, managed and measured.

## **2. Objectives and Principles**

The following objectives will be achieved through the Organizational Performance Management System:

- The overall improvement of the Council’s governing systems;
- To deepen democracy and good governance within the Municipality’s organisational sphere of influence by involving stakeholders;
- To guide decision-making and the allocation of municipal resources;

- Translate the vision, mission and the Integrated development Plan into clearly measurable outputs, indicators and targets;
- To promote accountability and help develop meaningful intervention mechanisms;
- To guide change within the Municipality;
- To enable the Municipality to plan, monitor, report, review and improve organisational performance;
- To facilitate a performance culture and improve service delivery.
- To create a culture of best practice and encourage shared learning among the officials of the Municipality; and to
- Assist in clarifying the roles and responsibilities of Council, the Mayoral Committee, other committees, officials and other stakeholders.

The principles governing the Organizational Performance Management System of Thaba Chweu Local Municipality, are the following:

- Simplicity
- Relevance
- Practical and user-friendly
- Transparency and Accountability
- Efficiency and Sustainability
- Stakeholder consultation
- Integration
- Objectivity

### **3. Legislative and Regulatory Context**

Several pieces of legislation are applicable on performance management within local government. These pieces of legislation will be discussed in brief in this section of the document.

#### **3.1. The Constitution of the Republic of South Africa (1996)**

The Constitution of the Republic of South Africa, 1996 (Chapter 7, section 152) deals with the objects of local government and paves the way for performance management, within the requirements for a government which is accountable. The democratic values and principles in terms of Section 195(1) of the Constitution are linked with the concept of performance management, such as the promotion of the efficient, economic and effective use of resources, accountable public administration, transparency in information being made available, facilitating a culture of public service and accountability amongst staff and being responsive to the needs of the community.

#### **3.2. White Paper on Local Government (1998)**

The White Paper on Local Government (1998) states that integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their area. These tools enable a municipality to focus on priorities within an increasingly complex operating environment and diverse set of demands, and to direct resource allocations and institutional systems to a new set of development objectives.

The White Paper on Local Government proposes a Performance Management System (PMS) as an essential tool that would enable municipalities to –

- a) Set clear and measurable indicators for development priorities, objectives and projects identified in and during the integrated development planning process;
- b) Regularly monitor and review implementation of projects contained in the Integrated Development Plan (IDP);
- c) Regularly report on performance to the community and other stakeholders; and
- d) Define processes for performance improvement.

#### **3.3. Municipal Structures Act (Act 117 of 1998)**

Section 19 (1) of the Act specifies that a Municipal Council must strive within its capacity to achieve the objectives set out in Section 152 of the Constitution and annually review its performance. Section 44(3) states that the executive committee, in performing its duties, must review the performance of the municipality in order to improve the economy, efficiency and effectiveness of the municipality.

#### **3.4. Municipal Systems Act, 2000 (Act 32 of 2000) as Amended**

The principles of accountability are found in Sections 4, 6 and 8 of the Act. Chapter 6 of the Act deals specifically with performance management in local government.

The Local Government: Municipal Systems Act, 2000 as Amended, requires municipalities to –

- a) Promote a culture of performance management among their political structures, political office bearers, councillors and administration;
- b) Administer their affairs in an economic, effective, efficient and sustainable manner;
- c) Establish mechanisms to monitor and review its performance management system;

- d) Set appropriate key performance indicators as a yard stick for measuring performance, including outcomes and impact;
- e) Set measurable targets with regard to each of those development priorities and objectives identified in the Integrated Development Plan (IDP);
- f) Establish processes and systems to correct organizational underperformance;
- g) Establish a process of regular reporting to council, other political structures, political office bearers, members of staff, communities and appropriate organs of state;
- h) Subject the results of performance measurements to auditing processes conducted by the internal audit unit and the office of the Auditor General; and
- i) Prepare an annual report for each financial year reflecting on – municipal / service provider's performance, development and service delivery priorities for the next financial year and measures taken / to be taken to improve performance.

The Code of Conduct for Municipal Staff Members (Schedule 2 to the Municipal Systems Act, 2000 (Act 32 of 2000) dictates that a staff member in a municipality must participate in the overall performance management system of the municipality in order to maximize the ability of the municipality as a whole to achieve its objectives and improve the quality of life of its residents.

### **3.5. Local Government: Municipal Planning and Performance Management Regulations (No 796, 24 August 2001)**

The Regulation provides for the following aspects of the Performance Management System:

- The framework which describes and represents the Municipality's cycle and processes and the adoption of the System;
- The setting and review of key performance indicators,
- The General KPIs which municipalities have to report on, which are as follows:
  - Households with access to basic services;
  - Low-income households with access to free basic services;
  - Capital budget spent in terms of the IDP;
  - Job creation in terms of the LED programme;
  - Employment equity with target groups in the three highest levels of management;
  - The implementation of the workplace skills plan;
  - The financial viability of the Municipality.
- The setting of performance targets and the monitoring, measurement and review of performance;
- Internal auditing of performance measurement; and
- Community participation in respect of performance management.

### **3.6. Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 (No R.805, 1 August 2006)**

In order to ensure alignment between the development objectives of the institution and the performance plans of the Senior Management, as well as accountability for the implementation of such performance plans, the Minister responsible for Local Government published the Local Government: Municipal Performance Regulations for Section 57 Managers. These regulations seek to –

- a) Provide a uniform framework for governing the relationship between the employee and the employer;

- b) Entrench a culture of improved performance;
- c) Set uniform standards to monitor and improve municipal performance;
- d) Provide principles for managing and rewarding performance; and
- e) Proactively identify performance barriers and provide targeted support.

### **3.7. Regulations for the appointment of Municipal Managers and Section 56 Managers, 2014**

These Regulations provides a reviewed competency framework for Municipal Managers and Section 56 Managers, which needs to be included in the performance agreements and be taken into consideration in terms of performance assessment and appraisal.

### **3.8. Municipal Finance Management Act, 2003 (Act 56 of 2003).**

This Act contains a number of provisions relating to performance management. In terms of Section 53 of the Act provides for the development of a service delivery and budget implementation plan, containing service delivery targets and performance indicators, on an annual basis. These targets and indicators should be consistent with those contained in the IDP and Budget. The MFMA prescribes as follows with regard to the Service Delivery Budget Implementation Plan:

- The Municipality must have a SDBIP for implementing its delivery of municipal services and annual budget, which indicates the following:
  - i. Projections for each month of revenue to be collected;
  - ii. Projections for each month of operational and capital expenditure (by vote); and
  - iii. Service delivery targets and indicators for each quarter.

The MFMA further prescribes time frames for the Mid-Year Budget and Performance Assessment Report, the approval and submission of the SDBIP and also provides for the review of the SDBIP after the budget adjustment:

The accounting officer of a municipality must, by 25 January of each year –

- (a) assess the performance of the municipality during the first half of the financial year taking into account –
  - i the municipality's service delivery performance during the first half of the financial year, and service delivery targets and performance indicators set in the service delivery and budget implementation plan;
  - ii the past year's annual report and progress on resolving problems identified in the annual report.
- (b) Submit a report on such assessment to – the mayor of the municipality; the national treasury and relevant provincial treasury.

Section 54(1)(c): "On receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must-

- (c) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following the approval of an adjustment budget;"

Section 54(3): “The mayor must ensure that any revisions to the service delivery and budget implementation plan be made public promptly.”

### **3.9. Batho Pele (1998)**

The White Paper in Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service, to which all municipalities are bound. These principles are the following:

- **Consultation:**

Citizens should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services which are provided.

- **Service standards:**

Citizens should know what standard of service to expect.

- **Access:**

All citizens should have equal access to the services to which they are entitled.

- **Courtesy:**

Citizens should be treated with courtesy and consideration.

- **Information:**

Citizens should be given full and accurate information about the public services they are entitled to receive.

- **Openness and transparency:**

Citizens should know how departments are run, how resources are spent and who is in charge of particular services.

- **Redress:**

If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made communities should receive a sympathetic, positive response.

- **Value for money:**

Public services should be provided economically and efficiently in order to give communities the best possible value-for-money.

The development of a service-oriented culture required the active participation of all stakeholders. Constant feedback is required from service users if operations and processes are to be improved. The intention therefore is to promote a service culture.

### **3.10. Municipal Budget and Reporting Regulations, 2009**

These regulations apply to municipalities and municipal entities and secures sound and sustainable management of the budgeting and reporting practices by establishing uniform norms and standards for ensuring transparency, accountability and appropriate lines of responsibility.

## **4. Integrated Performance Management**

The OPMS is linked to a number of municipal processes and systems. This section will reflect such and indicate the linkages.

### **4.1. Integrated Development Planning Process**

The IDP is the strategy of the Municipality in the form of a five-year plan, which is reviewed annually. The IDP contains strategic objectives, indicators and targets to be achieved by the Municipality. The OPMS needs to measure the performance against these set targets.

The Municipality is currently in a process of reviewing its legal mandate, to ensure alignment of the programmes and projects with such. It is imperative that the strategic focus and all supporting processes be aligned with the mandate of the Municipality, in order to ensure service delivery and value to the stakeholders.

A good quality plan should include a diagnostic analysis of the current situation and forces at play and which are likely to be the main strategic drivers of change. Plans should identify good quality measurable indicators which will be monitored during implementation. Again, failure to collect baseline information on these indicators and to monitor and record changes to the indicators during implementation makes evaluation difficult. It should also explain the logic model or theory of change of the plan, in other words, the casual mechanism between the activities, outputs, outcomes, and impacts.

An area in terms of which the IDP has been found wanting, is outcome based planning and planning for the medium term. This needs to be manifested by linkage of projects and programmes to developmental needs and the devising of five-year indicators and targets, or outcome and impact indicators and targets. An appropriate methodology needs to be applied in terms of planning, such as a result chain or theory of change methodology. Training and skills development in terms of this area is to be implemented.

The SDBIP is the document which converts the IDP and budget into actionable activities and measurable criteria, contained in annual plans for the departments. The SDBIP forms the basis for measuring the performance against targets set. The OPMS is therefore underpinned by the IDP and alignment between the IDP and the SDBIP is required.

### **4.2. Budget Process**

The budget process is the process through which resources are provided to ensure the implementation of the strategy and is therefore informed by the IDP. The budget is therefore a crucial component of a service delivery. The budget links strategic goals with long term and annual performance objectives and with cost specific activities, which contribute to the achievement of the said goals. It therefore provides meaning to the way in which allocated budget turn into results through a chain of cause and effect.

### **4.3. Risk Management**

The Risk Register of the Municipality is based on the strategic objectives and finds reflection in the annual plans of the Municipality, the respective Departments. The Risk Management System is therefore based on the SDBIP in terms of both strategic and operational risks. Management may analyse anomalies in the trends of performance on KPIs to find evidence of potential risks which may affect the activities.

#### **4.4. Individual Performance Management System**

The staff complement of the institution is instrumental in terms of the implementation of the strategy. The process to compile the five-year strategic plan should therefore include a review of the organizational structure so as to ensure a suitably skilled human resource complement.

Knowing that he/she is contributing towards the institution achieving its strategy and how it is done, is a motivational factor. The information on the organizational strategy and the departmental role in terms of achieving the strategy, therefore needs to be shared with staff members. Job descriptions or work plans may also be aligned with strategic objectives of the institution, which will enable specific evaluation in terms of resource allocation.

The IPMS is based on the job descriptions of staff members, which – in turn – should reflect the programmes and processes for which the staff member is responsible for. Work plans and performance agreements are therefore informed by the job descriptions and the planned activities.

The OPMS is providing for the individual performance management component of the Municipal Manager and Section 56 Managers. Alignment between the OPMS and the IPMS in terms of performance standards therefore needs to be sought in as far as possible.

#### **5. Breach of the Policy**

The Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006) relates to the performance management system for the Municipal Manager and the Section 56 Managers. These regulations stipulate that the Code of Conduct for Municipal Staff members forms an appendix to the employment contract of the Municipal Manager and Section 56 Managers.

The Code of Conduct stipulates as follows in Sections 2, 3 and 14:

A staff member of a municipality must, at all times, loyally execute the lawful policies on the municipality (Section 2). Furthermore, the staff member needs to obtain information regarding the integrated Development Plan of the Municipality and, in as far as possible within the ambit of the staff member's job description, seek to implement the objectives set out in the document and achieve the performance targets set for each performance indicator. The staff member has to participate in the overall performance management system for the municipality, so as to maximize the ability of the municipality to achieve its objectives and improve the quality of life of its residents (Section 3). Breaches of this code needs to be dealt with in terms of disciplinary procedures of the municipality (Section 14), which is the disciplinary code and processes of the South African Local Government Bargaining Council.

In as far as the policy relates to the remainder of the staff complement, the Code of Conduct for Municipal Staff members, the same Code of Conduct is applicable.

#### **6. Institutional Structures and Arrangements**

##### **6.1. Delegation of Responsibilities**

The Local Government: Municipal Systems Act (2000) places the responsibility of developing and implementing a performance management system on the Executive Mayor. The Systems Act allows the Executive Mayor to delegate the responsibility of developing and implementing a performance management system on the Municipal Manager, as the head of the administration.

In developing and implementing the municipal Performance Management System of the municipality, the municipal manager shall establish a structure that will-

- a) Communicate and raise the awareness and significance of developing and implementing a PMS in the municipality;
- b) Ensure understanding and gain buy-in amongst all the stakeholders in the municipality; and
- c) Ensure coordination in the development, implementation and maintenance of the municipal PMS.

## 6.2. Role Players and Stakeholders

The following table shows the role players and stakeholders who play a significant role in the implementation of the Performance Management System. It also outlines key processes, responsible persons and periods that this municipality will follow in managing its performance.

PROCESS	STRUCTURES FOR CONSULTATION	RESPONSIBLE PERSONS	TIME FRAME/FREQUENCY
Performance Planning	<ul style="list-style-type: none"> <li>IDP Structures</li> <li>Management</li> <li>Mayoral Committee</li> </ul>	<ul style="list-style-type: none"> <li>Municipal Manager</li> <li>Senior Managers</li> <li>Manager: PMS</li> </ul>	During the development or review of the IDP
Performance Measuring	<ul style="list-style-type: none"> <li>IDP Structures</li> <li>Management</li> <li>Mayoral Committee</li> </ul>	<ul style="list-style-type: none"> <li>Municipal Manager</li> <li>Senior Managers</li> <li>Manager: PMS</li> </ul>	During implementation; at least quarterly
Performance Monitoring and Evaluation	<ul style="list-style-type: none"> <li>IDP Structures</li> <li>Management</li> <li>Mayoral Committee</li> </ul>	<ul style="list-style-type: none"> <li>Municipal Manager</li> <li>Senior Managers</li> <li>Manager : PMS</li> </ul>	Continuously
Performance Reviewing	<ul style="list-style-type: none"> <li>Management</li> <li>Council</li> <li>Performance Audit Committee</li> <li>Internal Audit Unit</li> </ul>	<ul style="list-style-type: none"> <li>Municipal Manager</li> <li>Senior Managers</li> <li>Manager: PMS</li> <li>COGTA (Provincial)</li> <li>Treasury (Provincial)</li> <li>Auditor General</li> </ul>	Quarterly and annually: <ul style="list-style-type: none"> <li>October (Quarter 1)</li> <li>January (Quarter 2)</li> <li>April (Quarter 3)</li> <li>July/August (Annual)</li> </ul>
Performance Reporting	<ul style="list-style-type: none"> <li>Management</li> <li>Council</li> <li>Performance Audit Committee</li> <li>Internal Audit Unit</li> </ul>	<ul style="list-style-type: none"> <li>Municipal Manager</li> <li>Senior Managers</li> <li>Manager: PMS</li> <li>COGTA (Provincial)</li> <li>Treasury (Provincial)</li> <li>Auditor General</li> </ul>	Quarterly and annually: <ul style="list-style-type: none"> <li>October (Quarter 1)</li> <li>January (Quarter 2)</li> <li>April (Quarter 3)</li> <li>July/August (Annual)</li> </ul>

## 6.3. Municipal Internal Structure

In view of the strategic nature of Organizational Performance Management System and the fact that the responsibility of developing and implementation of the System is delegated to the Municipal Manager, this function is coordinated from the Municipal Manager's office. The organisational structure, as reflected in Figure 1, makes provision for sufficient staff members to be appointed for the following responsibilities –

Proposed unfunded position for future consideration.

- (a) Setup institutional arrangements, processes and systems for the development and implementation of the OPMS,
- (b) Coordinate the implementation of a performance measurement framework for the municipality;
- (c) Coordinate the implementation of a monitoring framework for the municipality;
- (d) Coordinate the implementation of reporting framework for the municipality;
- (e) Coordinate the implementation of a performance review framework for the municipality;
- and
- (f) Coordinate the compilation of quarterly and annual performance reports for the municipality.

## 7. Developing the Organizational Performance Management System

### 7.1. Internal and External Stakeholders

The following stakeholders and institutional structures, with their roles and responsibilities, were identified as key players to facilitate the development of the municipal PMS.

STAKEHOLDER	ROLE, RESPONSIBILITIES AND/OR EXPECTATIONS
Minister of Cooperative Governance and Traditional Affairs	In terms of Section 48 of the Local Government : Municipal Systems Act, 2000 the Minister must: <ul style="list-style-type: none"> <li>Annually compile and submit to Parliament and the MECs for Local Government a consolidated report of local government performance in respect of the General KPIs;</li> <li>Publish the report in the Government Gazette.</li> </ul>
MEC for Cooperative Governance and Traditional Affairs (COGTA)	In terms of Section 47 of the Local Government: Municipal Systems Act, 2000 - <ul style="list-style-type: none"> <li>The MEC for COGTA must annually compile and submit to the provincial legislature and the Minister of COGTA a consolidated report on the performance of municipalities in the province;</li> <li>The MEC for COGTA must also publish the report in the Provincial Gazette and submit a copy of the report to the National Council of Provinces.</li> </ul>
Auditor General	In terms of section 45(b) of the Local Government: Municipal Systems Act, 2000 the AG must annually audit the results of performance measurements in terms of section 41(1)(c) of the Act.
Council, Executive Mayor; Mayoral Committee	<ul style="list-style-type: none"> <li>Play the leading role in giving strategic direction and developing strategies and policies for the organisation;</li> <li>Approve/adopt the reviewed IDP – which includes the strategic objectives, indicators and set targets;</li> <li>Communicate the plan to other stakeholders;</li> <li>Monitor municipal performance;</li> <li>Commission audits of performance where necessary; and</li> <li>Conduct the major reviews of municipal performance, determining where goals have or have not been met, what the causal reasons are and to adopt response strategies</li> </ul>
Portfolio Committees	<ul style="list-style-type: none"> <li>Develop strategies to achieve vision;</li> <li>Identify priorities;</li> <li>Adopt indicators and set targets;</li> </ul>

STAKEHOLDER	ROLE, RESPONSIBILITIES AND/OR EXPECTATIONS
	<ul style="list-style-type: none"> <li>• Monitor municipal performance;</li> <li>• Review municipal performance for reviews such as the quarterly and annual review; and</li> <li>• Review the performance of the Departments.</li> </ul>
Municipal Management: Municipal Manager/ Accounting Officer, Senior Managers and Management	<ul style="list-style-type: none"> <li>• Provide strategic direction and develop strategies and policies for the Municipality to achieve the vision;</li> <li>• Manage the development and review of the IDP;</li> <li>• Identify realistic indicators and set targets;</li> <li>• Communicate with stakeholders;</li> <li>• Manage the review and implementation of the IDP &amp; PMS (including SDBIP);</li> <li>• Regularly monitor the implementation of the IDP &amp; PMS;</li> <li>• Measure performance against agreed indicators &amp; targets;</li> <li>• Propose response strategies to the Executive Committee and Council; and</li> <li>• Conduct reviews of the organizational performance against the pre-determined targets in the SDBIP</li> </ul>
Citizens and Communities, including: Civic Organisations; Non-Governmental Organisations or NGOs; Businesses; Community Based Organisations	<ul style="list-style-type: none"> <li>• Consultation on the needs and priority issues;</li> <li>• Consultation in the development of the long term vision for the municipality;</li> <li>• Influence the choice of indicators and setting of targets;</li> <li>• Monitor and “audit” performance against commitments; and</li> <li>• Consultation during the review of municipal performance and suggest new indicators and targets.</li> </ul>
Organised Labour	<ul style="list-style-type: none"> <li>• Contribute to the strategic direction and developing of long-term vision for the Municipality;</li> <li>• Contribute to the development of the IDP;</li> <li>• Monitor and audit the performance of the organisation, especially from a labour perspective; and</li> <li>• Participate in the public review of municipal performance</li> </ul>
Audit/ Performance Audit Committee	<ul style="list-style-type: none"> <li>• Must review quarterly reports;</li> <li>• Review and recommend on the municipality’s PMS; and</li> <li>• Submit a report to the Council at least twice in a financial year</li> </ul>
Evaluation Committee	<ul style="list-style-type: none"> <li>• Provide oversight of the application of the policy, ensuring that the performance appraisal process is valid, fair and objective;</li> <li>• Ensure standardization of norms and standards within the appraisal process of the Municipal Manager and Section 57 Managers), as well as between the OPMS; and</li> <li>• Detect potential problems in the system and advise the Municipal Manager accordingly.</li> </ul>

## **7.2. Structures for Stakeholder Participation**

In order for the Municipality to ensure meaningful participation of all stakeholders in the development of the OPMS consistent with the legislation, the Municipality may be utilising the following structures/systems:

- Management;
- IDP Representative Forum; and
- Media

## **7.3. Performance Management Model**

The Municipality adopted the Balanced Scorecard as its performance management model. The model is regarded to be the most effective performance and strategic management tool used by both public and private organisations, on a global scale. The benefits of the Model are the strategic focus and direction provided to the organisation, improved governance and accountability, alignment and transparency, and improved management effectiveness.

The model brings about balance, as it does not only take into consideration the value which has to be created, which is service delivery in the case of the Municipality. It also considers that internal processes have to be properly managed and implemented, such as risk management, that financial resources should be well managed and that certain internal systems (e.g. IT and performance management) has to be managed properly and that training and development of staff has to take place to ensure service delivery at the end of the day. The design approach of the Balanced Scorecard, promulgated by Kaplan and Norton, was customised to meet the needs of the Municipality, and provides for the following perspectives: Financial, Customer, Internal Processes and Learning & Growth.

- Customer (Electorate and Citizens) Perspective – Management must know if the Municipality is meeting the electorate's needs. This relates to services and products (outputs) the municipality should achieve. They must determine the answer to the question: Is the municipality delivering the services the electorate wants?
- Financial Perspective – Managers must focus on how to meet service delivery needs in an economic, efficient and effective manner. The question: Is the service delivered at a good price?
- Internal Processes Perspective – Managers need to focus on those critical operations that enable them to satisfy the electorate and citizens. Managers must answer the question: Can the municipality improve upon a service by changing the way a service is delivered?
- Learning and Growth (Systems and Employee Development) Perspective – An organization's ability to improve and meet citizen demands ties directly to the employees' ability to meet those demands. Managers must answer the question: Is the municipality maintaining technology and employee training for continuous improvement?

Figure 2 underneath illustrates the perspectives of the scorecard.

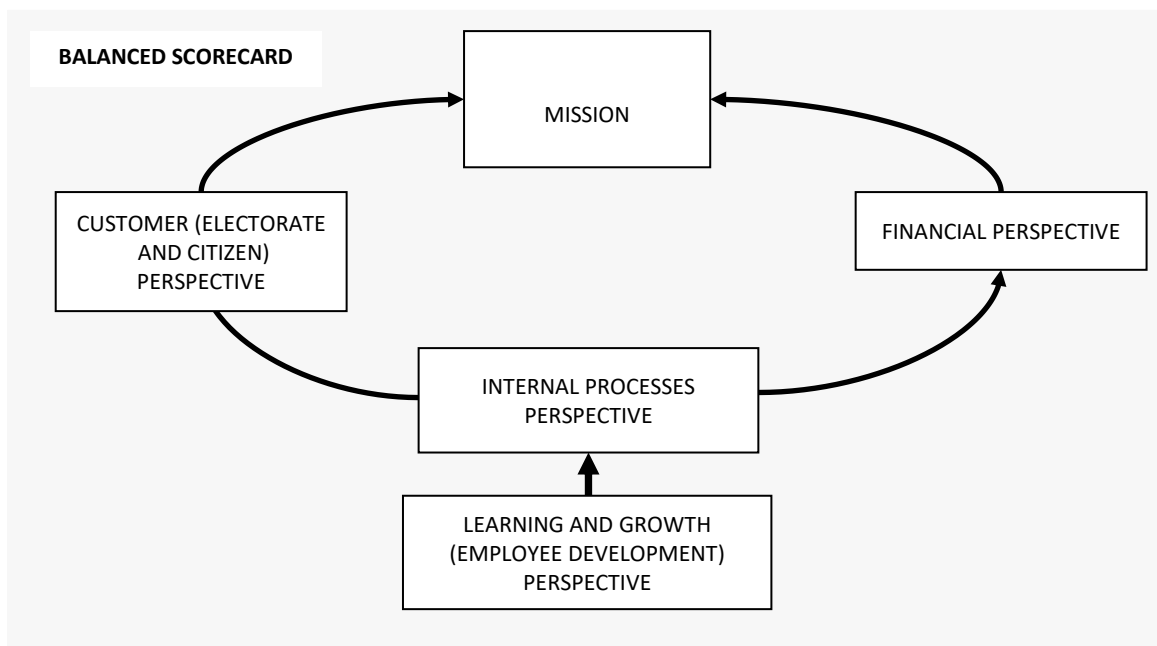
The institutional Balanced Scorecard is cascaded to all levels of the Municipality (top, functional and operational management). The objective of cascading the Balanced Scorecard is to achieve synergy across the Municipality, maximise internal divisional process efficiencies (e.g. risk management, integrated development planning, supply chain, information technology, human resources, etc.), and maximise efficient allocation of resources (financial and human) across the Municipality.

The scorecards are developed on the following levels:

### **Organizational or Institutional Balanced Scorecard**

It provides an over-all picture of performance of the Municipality as a whole, reflecting performance on its strategic (IDP) priorities. The Municipal Manager uses this scorecard after review, as a basis for reporting to the Executive Committee, Council, and the Public.

Figure 1 : The Balanced Scorecard Model



### **Departmental Balanced Scorecards**

These capture the performance of each department and provide a comprehensive picture of the performance at that level. Departmental Balanced Scorecards comprise of the key components highlighted in the customised municipal Balanced Scorecard. Senior Managers will be reporting at this level.

### **Divisional Scorecards**

Scorecards drafted on divisional level, on which level implementation takes place. These scorecards reflect the quarterly activities or milestones for the implementation of the respective projects and programmes.

## **8. Implementing the Performance Management System**

### **8.1. Identification of Priority Issues**

The Integrated Development Planning (IDP) process and the Organizational Performance Management (OPM) process are seamlessly integrated. The IDP fulfils the planning stage of the OPM and the OPM fulfils the implementation, management, monitoring and evaluation of the IDP process.

The IDP identifies a set of service delivery priorities and objectives, a set of internal transformation strategies, identified projects that contribute to the achievement of the above objectives and a financial plan. These priorities are essentially the issues that a municipality pronounces to focus on in order of importance to address the needs of the community.

Priorities will be clustered into the following key performance areas, which represent the broad development mandate of local government:

- a) Basic Service Delivery;
- b) Local Economic Development;
- c) Municipal Institutional Development and Transformation;
- d) Municipal Financial Viability and Management;
- e) Good Governance and Public Participation; and
- f) Spatial Planning and Environmental Management

### **8.2. Developing Strategic Objectives**

After identifying priorities, Council identifies areas of focus or strategic themes for community needs. Council has to agree on the strategic objectives of the key focus areas, establish priorities and identify priority initiatives. The development of objectives will be clustered into the key performance areas identified above. Once Council has set the strategy or game plan for the medium term of five years, broken down into projects for each financial year, staff shall begin to work on the plans to implement the strategy.

This process ensures that all components of the IDP are translated into a set of clear and tangible objectives. Management will facilitate the processes of ensuring that the statement of objectives is realistic, tangible, measurable and unambiguous. In setting objectives, the municipality will:

- a) Carefully consider the results desired;
- b) Review the precise wording and intention of the objective;
- c) Avoid overly broad results statements;
- d) Be clear about the scope and nature of change desired; and
- e) Ensure that objectives are outcome and impact focused.

### **8.3. Development of Performance Measures**

The Local Government: Municipal Systems Act requires municipalities to define performance measures or key performance indicators as part of developing the OPM System in terms of input, output and

outcome measurements. The development of performance measures forms the basis for establishing a standard system of monitoring and reporting. In this instance, key performance indicators will be important for –

- a) Providing a common framework for data gathering, measuring, and reporting;
- b) Creating synergy across the various Strategic Departments;
- c) Ensuring standardisation of a feedback mechanism in planning and implementation;
- d) Assisting in the policy and programmatic review process; and
- e) Focusing the organisation on strategic and priority areas.

In identifying indicators, the municipality will consider the priorities and objectives set in the IDP. In setting key performance indicators, the municipality will ensure that stakeholders are involved through the IDP structures. Key Performance Indicators will be set for all administrative units, as well as every municipal entity and service provider with whom the Municipality may enter into a service delivery agreement for the delivery of a specific service on behalf of the Municipality.

Indicators or performance measures will be developed in respect of each of the development priorities and objects referred to in section 26(c) of the Municipal Systems Act, (Act no. 32 of 2000). The Municipality may develop the following types of indicators, according to the Framework for Monitoring Programme Performance Information.

- Input Indicators:

These indicators will measure what it will cost the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less, in resources terms (efficiency) without compromising quality. The economy indicators may be the amount of time, money or number of people it takes the municipality to deliver a service.

- Output Indicators:

These indicators will measure whether a set of activities or processes yields the desired products – effectiveness indicators (usually expressed in quantitative terms). These indicators will relate to programme activities or processes.

- Outcome or Impact Indicators:

An Outcome is described as the medium-term results for specific beneficiaries which are the consequences of achieving specific outputs. Outcomes should relate to an institution's strategic goals and objectives and is "what we wish to achieve". It can be immediate/direct and/or intermediate.

An impact is the result of achieving specific outcomes, such as reducing poverty. It is about "how we have actually influenced communities and target groups". Impact evaluation examines whether underlying theories were valid, what worked, what did not work and why.

From the above explanation, it is clear that defining targets on outcome indicators and impact indicators requires result-based planning. A project or programme needs to address a specific problem in a certain way, and the behavior of the beneficiaries often plays a role in terms of the outcome or impact. This series of actions and behavior is being referred to as a theory of change, and it needs to be documented during the planning stage in order to test the theory after implementation of the projects or programme.

Due thereto that the evaluation of outcome and impact is assessed retrospectively (within a reasonable time after implementation of the programme or project to allow for the outcome or impact to materialize),

these indicators will be evaluated as part of the M&E Implementation Plan and not as part of the SDBIP of the Municipality.

- **General Key Performance Indicators**

The Municipality will incorporate the applicable General Key Performance Indicators as prescribed in terms of Section 43 of the Municipal Systems Act, (Act no. 32 of 2000) and Performance Management Regulations, Regulation 10: General Key Performance Indicators. They are listed underneath:

- Percentage of households with access to basic level of water, sanitation, electricity and solid waste removal
- Percentage of households earning less than R1100 per month with access to free basic services
- Percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's Integrated Development Plan
- Number of jobs created through municipality's local economic development initiatives including capital projects
- Number of people from Employment Equity target groups employed in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan.
- The percentage of a municipality's budget actually spent on implementing its Workplace Skills Plan
- Financial viability: Debt Coverage; Cost Coverage and Service Debtors to Revenue

#### **8.4. Setting Performance Targets**

*According to Performance Management Regulations (Chapter 3, Regulation 12), a municipality must, for each financial year, set performance targets for each of the key performance indicators. A performance target set must be practical and realistic. It must measure the efficiency, effectiveness, quality and impact of the performance of the municipality. It must also identify administrative components, structures, bodies or persons for whom a target has been set.*

Performance targets are the planned level of performance or the milestones that the municipality will set for itself for each indicator identified. The municipality will identify baseline targets for each indicator at the start of the period. In setting targets, it is important to know how the organisation is performing at the current moment.

Management will ensure that the targets are specific, realistic, measurable, commensurate with available resources, and capacity, relevant and time bound. The municipality's political leadership will give a clear direction on the targets in order to address the expectations of public needs. Targets will be informed by the development needs of communities and the development priorities of the municipality identified during the integrated development planning process.

Line managers need to advise as to a realistic and achievable commitment for a target, given the available resources and capacity. Managers will need to advise on seasonal changes and other externalities that should be considered in the process of target setting.

## 8.5. Review of Performance Measures and Targets

The Municipality will review its key performance indicators and targets annually as part of the performance review process, referred to in Regulation 13 of the Municipal Planning and Performance Management Regulations (2001). Whenever the Municipality amends its Integrated Development Plan in terms of Section 34 of the Act, the Municipality will, as part of the process referred to in Regulation 3, review those key performance indicators that will be affected by such an amendment.

Each indicator in the Institutional, Departmental and Divisional Scorecard will require a responsible official to be designated. The official will be responsible for conducting measurements of that indicator, analysing and reporting these for reviews. Analysis requires that line managers compare 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.

## 8.6. Developing a Monitoring Framework (Measuring Performance)

The term **Monitoring** is defined as collecting, analysing and reporting data on inputs, activities, outputs, outcomes and impacts to support effective management. The aim is to provide regular feedback on progress in implementation and results and early indicators of problems which need to be corrected. It usually reports on actual performance against what was planned or expected.

Thaba Chweu Local Municipality will, after consultation with its stakeholders, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the performance indicators and performance targets set by it. The mechanisms, systems and processes for monitoring will provide for reporting to the municipal council at least twice a year; be designed in a manner that enables the Municipality to detect early indications of under-performance and should provide for corrective measures where under-performance has been identified.

Performance monitoring will be an ongoing process running parallel to the implementation of the IDP. For each year, a Service Delivery and Budget Implementation Plan (SDBIP) will be developed based on the IDP. The Service Delivery and Budget Implementation Plan will clearly spell out, in a format provided by the National Treasury, municipal priorities, strategic objectives, measurable outputs and targets, and a set of activities to achieve priorities, objectives and outputs contained in the IDP.

The following constitute the monitoring framework for Thaba Chweu Local Municipality –

- Role players in monitoring and measuring the municipality's performance;
- Allocation of specific tasks for the gathering of data and submission of reports;
- Determining the data that must be collected in order to assess performance, how that data is to be collected, stored, verified and analysed and how reports on that data are to be compiled;
- Providing for reporting to the municipal council at least twice a year;
- Be designed in a manner that enables the Municipality to detect early indications of under-performance;
- Providing for corrective measures where under-performance has been identified (organisational performance management); and
- Comparing current performance with performance during the previous financial year and baseline indicators.

## 8.8. Using the Performance Management Model (Monitoring Framework)

Thaba Chweu Local Municipality will use the Balanced Scorecard for measuring the implementation of the IDP. The Balanced Scorecard will provide a performance measurement framework and by its design, will enable the Municipality to analyse data for its monitoring mechanism. The metrics system of the Balanced Scorecard is expected to provide the Municipality with measurement that is time-specific, source-specific, valid, reliable, clear and accurate.

Performance measures or indicators will be cascaded to the relevant levels of management that will be responsible for achieving specific performance measures or indicators. The Municipal Manager will manage performance measures or indicators in the IDP centrally. It is important that line managers see measurement and reporting as central to their management duties.

The Balanced Scorecard fulfils the following requirements for developing a PMS:

- It fully integrates with the IDP, as the IDP provides the basic framework of performance expectations.
- Key performance indicators (KPIs) and targets set for each priority area & objective in the IDP & for national GKPIs can be mapped into the Balanced Scorecard.
- The metrics system of the Balanced Scorecard caters for performance indicators and targets in these categories: inputs, outputs and outcomes.
- The involvement of communities and other key stakeholders in planning, monitoring, measuring and evaluating performance is not optional.
- Is a tool that promotes accountability through a process of cascading the system from organisational level strategy to individual performance measures.
- Is a proven tool that creates synergy and enables alignment of priorities & coherent reporting.

The benefits and value of the using the Balanced Scorecard by the municipality are that:

- Integration of perspectives enables a more holistic assessment of performance (the whole picture is necessary all the time to get a strategic sense of how the municipality will be performing – from each perspective simultaneously – and enables strategic management).
- There is a strong emphasis on learning and development (continuous learning).
- Clearly links planning, measurement and strategy management.
- The links between perspectives can be used to diagnose performance problems.
- Can form the basis for staff and organisational performance management.
- Simplifies long lists of indicators by organising them into a set of categories chosen to sufficiently represent effective performance.

The Balanced Scorecard design process for the municipality will follow the key principles and phases, shown in Figure 3 below:

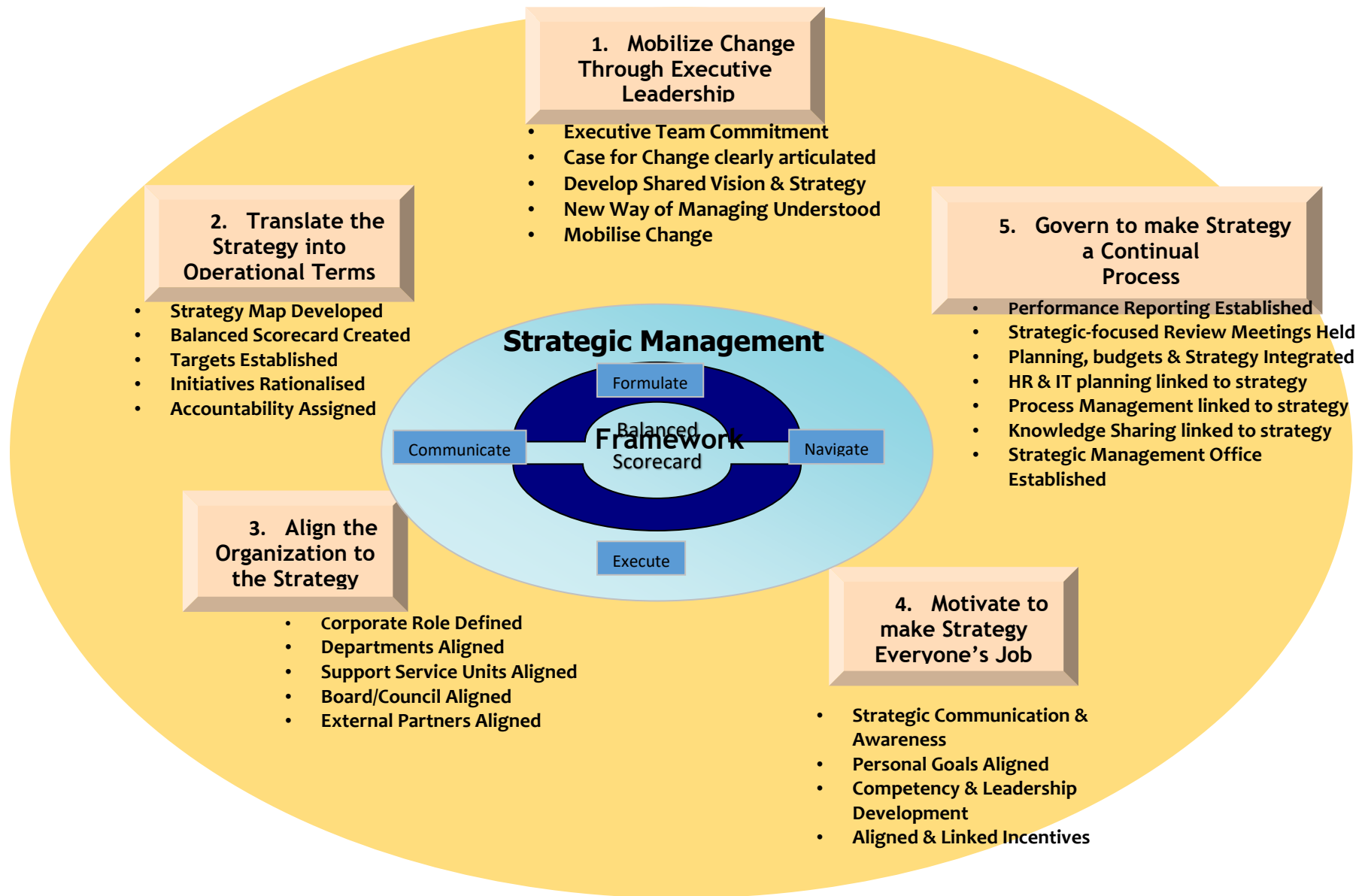


Figure 2 : Key Principles of the Balanced Scorecard for Strategy Focused Organisations

## **9. Performance Management Monitoring and Review**

### **9.1. Planning Cycle of the PMS**

The planning cycle of the performance management system will coincide with the integrated development planning process and timeframes will be in accordance with the adopted IDP process plan for the year. In view of the interrelatedness of the IDP, the Budget and the OPMS, the milestones of the Performance Management System will be included in the IDP Process Plan, which is developed annually for implementation.

### **9.2. PMS Implementation and Review**

The Municipal Manager, Senior Managers and the OPMS Unit will coordinate the implementation of the Performance Management System. In ensuring that the review process is carried out, Senior Managers and line managers/supervisors will constantly monitor and assess performance targets (using the provided templates developed by the Manager : PMS).

This will be done to ensure that –

- a) There is a proactive identification of structural constraints and trends of underperformance, and development of alternative courses of actions to remedy the situation;
- b) Performance reports submitted to council, communities and other appropriate state organs, are of high quality.

### **9.3. Institutional Review Mechanism**

The Municipality will establish performance review processes and structures in order to ensure that the performance of the municipality is appropriately reviewed.

REVIEW MECHANISM	
WHO	REQUIRED
Community / Public	Will review the performance of the Municipality on a quarterly and annual basis
Council	Will review the performance of the Municipality on quarterly and annual basis
Mayoral Committee	Will review the performance of the respective Departments and the Municipality on a quarterly basis and the performance of the Municipal Manager on an annual basis
Municipal Manager	Will review the performance of Senior Managers both during the mid-term and annually, and constantly review the overall administration on a quarterly basis, and remain accountable for reporting on performance
Senior Managers	Will review the performance of managers reporting directly to them on a monthly and quarterly basis before reporting to Council
Standing / Portfolio Committees	Will review performance of the organisational priorities that lie within their portfolio on a quarterly basis, while maintaining a strategic role

## 9.4. Approach to Performance Management System Review

Performance review is a process where the Municipality, after measuring its own performance, assesses whether it is implementing the planned programmes and projects, as contained in the IDP and SDBIP, and as per the planned activities. The OPMS Unit will facilitate the analysis of performance across the organisation in terms of what has been planned for the period under review. It will provide an interpretation of the measurements to determine whether targets have been met and/or exceeded and projections on whether future targets will be met. Where targets are not being met, the analysis will require that the reasons be examined and corrective action recommended.

It is crucial that line managers also continuously analyse the measurements in their control since they are best placed, and have an in-depth understanding of their unit or department, to analyse whether targets are met currently, and will be met in the future, what the contributing factors are to the level of performance and what remedial action needs to be taken.

The Municipality may also apply other innovative methods to improve its performance. A review approach which is consistent with the “best value” review framework of challenge, compare, consult and compete, is proposed. The framework calls for the municipality to challenge the current level of performance, compare it to others, consult with the customers or communities and find ways of competing with others to provide best value in service delivery.

## 9.5. Improving Performance

The municipality will constantly strive to improve on good or excellent performance. Poor performance needs to be improved as a priority. In order to do this, it is important that the causal and contributing reasons for poor performance be analysed. Performance analysis is going to be performed in order to identify poor performance. The Municipal Manager will implement the appropriate response strategy to improve performance.

The following table shows some of the potential areas of poor performance in terms of the OPMS and the corrective strategy that the municipality will consider to remedy the situation.

AREA OF POOR PERFORMANCE	STRATEGY
Poor systems and processes	Systems and process improvement initiative
Inappropriate structures to deliver services	Organisational restructuring
Inappropriate organisational culture	Change management and continuous education
Absence of appropriate strategy	Revision of strategy by management
Lack of skills and capacity	Training and outsourcing additional capacity

## 9.6. Reporting on Performance

In order to comply with the provisions of the Local Government: Municipal Systems Act (2000) and thereby entrenching a culture of public accountability as encapsulated in the Systems Act, the Municipal

Manager will compile and submit a performance report to the Executive Mayor on a quarterly basis, for submission to Council.

The Executive Mayor, assisted by the Municipal Manager, will convene performance review meetings to be attended by the Mayoral Committee. During the performance review meetings, Departments will present reports reflecting progress made towards achieving quarterly targets as well as outlining activities for the remaining year. The quarterly review will serve as the basis for the compilation of the annual performance report to be submitted to – (a) council, and (b) the MEC responsible for local government.

The municipal manager as the head of the administration will also compile executive strategic reports that capture the strategic thrust and executive synopsis of the implementation progress. The executive report will provide information on –

- Policy and legislative trends;
- Institutional trends;
- Financial information and budget;
- Capital projects; and
- Implementation challenges.

The annual performance report will form the basis for the formulation of the Service Delivery and Budget Implementation Plan for the incoming annual cycle. Significantly, the annual report will also serve as a performance linkage between quarterly reports.

PERFORMANCE REPORTING	ACCOUNTABLE TO	PERIOD
Minister for COGTA	Parliament and Public	Annually
Provincial MEC COGTA	Minister for Provincial COGTA; National Council of Provinces; Provincial Legislature and Public	Annually
Council (including Ward Committees)	Provincial MEC of COGTA	Mid Term, Annually
Municipality	Citizens and Communities	Quarterly, Annually
Executive Committee	Council	Quarterly, Annually
Administration	Executive Committee/Executive Mayor	Quarterly, Annually
Senior Managers and Managers	Municipal Manager; Standing/Portfolio Committees	Quarterly, Annually

### 9.7. Publication of Performance Reports

The Municipality will publish performance reports which are user-friendly. The Municipality will frequently inform stakeholders of its performance, depending on resources and capacity through accessible media means and other forms.

To ensure that the reporting process runs smoothly and effectively, the Senior Manager : OPMS will manage the processes centrally to communicate timeframes of all reporting processes for the year, track and monitor reporting processes and analyse performance reports at the organisational level.

The following are the key elements that will appear in the reporting framework:

REPORTING ELEMENT	DESCRIPTION
Key Performance Area	These will be according to the broad mandate of local government
Priority Issues	As identified through consultation with relevant service recipients
Strategic Objective	The aim of the municipality within the defined priority issue and KPA as related to the specific service to be delivered
Baseline Indicator	Estimate current level or measure of the situation
Performance Measures or key performance indicators	Quantifiable and qualitative measures showing where performance currently is in relation to the baseline and target
Measurement source & frequency	Source and frequency of where data will be gathered for monitoring performance at the organisational level
Target date or period	Period in which service will be delivered
Budget / Budget Estimate	Current budget as allocated on the IDP for a specific objective
Performance against target	Quantifiable level that indicates how the current quantifiable measure compare with the set quantifiable targets for the period
Ward/ Location	Ward/ Location of where the project will take place

## 9.8. Public Feedback and Hearings

Public feedback on reported performance will be obtained through ongoing awareness on performance reporting programmes, where feedback will be gathered in the most suitable form. The public will also be encouraged to provide feedback by calling into the municipality and using feedback boxes. Engagements will be held during the annual IDP review to report to communities on municipal performance.

## 9.9. Using the Performance Audits Mechanism:

In order for the Performance Management System to enjoy credibility and legitimacy from the public and other stakeholders, performance reports will be audited. Audits should ensure that reported performance information is accurate, valid and reliable.

### 9.9.1. Legal Requirements:

According to the Municipal Systems Act, the performance reports must be audited internally, before being tabled and made public. The Auditor General will also audit the municipality's annual performance report after being reviewed by the Council, and thereafter be submitted to the MEC for COGTA in the province. The MEC is required to complete a consolidated annual report of the performance of all municipalities in the province, identifying poor performing municipalities and proposing remedial action. The MEC must then submit it to the National Minister. The National Minister will present a consolidated report to Parliament.

### 9.9.2. Internal audits:

*Performance Management Regulations (Chapter 3, Regulation 14)*: states that a municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.

The municipality's performance audits will include assessments of the following:

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

### **9.9.3. Performance Audit Committee:**

The municipality will on an annual basis appoint and budget for a performance audit committee consisting of at least three members, the majority of which will not be involved in the municipality as councillors or employees. This will increase the credibility and legitimacy of the performance reports and the audit process.

The performance audit committee will include at least one person who is knowledgeable in performance management. The municipality may utilise any audit committee established in terms of other applicable legislation as the envisaged performance audit committee. The Council of the Municipality might designate a member of the performance audit committee who is not a councillor or an employee of the municipality as Chairperson of the Committee.

If the chairperson of the performance audit committee is absent from a specific meeting of the committee, the members present must elect a chairperson to act for that meeting. In the event of a vacancy occurring amongst the members of the performance audit committee, the Thaba Chweu Local Municipality will fill that vacancy for the unexpired portion of the vacating member's term of appointment.

The municipality will provide secretariat services for its performance audit committee. A member of the performance audit committee who is not a councillor or an employee of the municipality may be remunerated taking into account the tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor General.

The performance audit committee will meet at least twice during the financial year of the municipality. Any member thereof may call a special meeting of the performance audit committee. The performance audit committee may determine its own procedures after consultation with the executive mayor or the executive committee of the municipality as the case may be.

The performance audit committee will:

- Review the quarterly reports submitted to it in terms of performance management regulations sub-regulation (1)(c)(ii);
- Review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
- At least twice during a financial year, submit an audit report to the municipal council concerned.

In reviewing the municipality's performance and the management thereof, the performance audit committee will focus on economy, efficiency, and effectiveness and impact as per key performance indicators and performance targets set by the municipality are concerned.

The performance audit committee may:

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

#### **9.10. Detailed Process Plan of the Organizational Performance Management System**

A detailed process plan of the organizational performance management system, which shows the time frames for the respective processes, is reflected underneath.

## PROCESS PLAN FOR THE ORGANIZATIONAL PERFORMANCE MANAGEMENT SYSTEM

[illegible]

## **10. Managing the Performance of the Municipal Manager and Senior Managers (Section 56 Managers)**

The performance of an organisation is integrally linked to the management of the institution. If managers are not giving strategic direction and managing the employees, the organization will fail. This section of the policy will deal with managing the performance of the Municipal Manager and the Senior Managers from planning, implementation, monitoring and review.

### **10. 1. Planning**

The OPMS yields a set of indicators and targets. These become an undertaking of the Municipality to the community. These should however be incorporated into the Municipal Manager's performance agreement, as he/she is responsible for the implementation of the OPMS. The Municipal Manager may take relevant indicators to departments concerned. These indicators would then become the indicators and targets of the Senior Manager of the Department to be incorporated in the performance agreement. The head may cascade the indicators and targets to lower levels in line with the scope of responsibilities at that level.

### **10.2. Implementation through Performance Agreements**

When projects and programmes are implemented, the Municipal Manager needs to set up a framework to track performance of all managers who would in turn do the same for lower level staff. The framework should clarify the following:

- Targets for all levels in the organization.
- Methods for tracking performance.
- Intervals for reporting.
- Lines of accountability.
- Institutional arrangements

Section 57 (1)(b), (4A), and (5) of the Local Government: Municipal Systems Act requires the municipal manager and managers reporting directly to the municipal managers to enter into performance agreements. The performance agreement must be concluded within a reasonable time after appointment and not later than one month after the beginning of a new financial year. The performance agreement must include the following:

- Performance objectives and targets which must be practical, measurable, based on the IDP and the time frames applicable to meet such targets;
- Standards and procedures for evaluating performance and intervals for evaluation;
- The consequences for substandard performance; and
- In the case of the performance agreement of a Municipal Manager, the responsibilities on the accounting officer conferred in terms of the provisions of the MFMA.

The performance agreements to be entered into by Section 57 employees will therefore specify accountabilities as set out in the performance plan and establish a transparent and accountable working relationship

The Municipal Manager as the head of the administration will annually enter into a performance agreement with the Municipality (represented by the Executive Mayor). Senior Managers directly accountable to the Municipal Manager will enter into a performance agreement with the Municipality (represented by the Municipal Manager).

The following principles will apply in terms of the signing of performance agreements in cases of acting in the position of the Municipal Manager and/or Senior Manager:

- A Senior Manager appointed as Acting Senior Managers for 3 Months or more should not sign a performance agreement for the Acting Positions as he/she would already have signed a performance agreement for his/her respective positions (in terms of the IPMS), unless it is stipulated in the letter of appointment in the acting position that he/she is relieved from the responsibilities in the position of appointment. In such a case, a new performance agreement should be signed.
- A Senior Manager appointed as Acting Municipal Manager for 3 Months or more will not sign performance agreements for the Acting Position as a performance agreement for his/her respective position would already have been signed, unless it is stipulated in the letter of appointment in the acting position that he/she is relieved from the responsibilities in the respective position, then a new performance agreement should be signed.
- The same principle will be applied for officials acting in Senior Manager Positions.

#### *Commencement and duration of the Performance Agreement*

Section 57 employees will enter into a performance agreement each financial year. The agreements must be concluded within ninety (30) days of the beginning of the financial year, or within a 60 calendar days after the appointment of such an employee. The parties to the performance agreement will review the provisions thereof annually (during the month of June). The revised performance agreement will replace the previous agreement after the commencement of the new financial year. The performance agreement will terminate on the employee's contract of employment on the reasons contemplated therein.

#### *Components of the Performance Agreement*

The performance agreements will consist of the following components –

- Performance Plan (PP)
- Core Competency Requirements (CCRs)
- Performance Evaluation System (PES)
- Personal Development Plan (PDP)

#### **10.2.1. Performance plan**

The Performance Plan is a strategic management tool that will enable the municipality to assess the performance of Section 57 employees in an objective and fair manner. Essentially the Performance Plan in the agreement will describe –

- a) The areas of work for which the employee is responsible for (KPA);
- b) The main tasks to be performed within a KPA (key objectives); and
- c) Indicators against which the employee's performance will be assessed (KPIs) and their weightings.

The Performance Plan will be informed by the SDBIP and may also contain operational measures, should such be required by the Municipal Manager or the Council. In such case, the weightings may be adjusted as per the requirement of the Municipal Manager or the Council.

Weightings will be allocated to the respective KPAs, based on the amount of time involved in terms of implementing the respective programmes and/or projects within each KPA.

Key Performance Areas for Municipal Managers	Weighting
Basic Service Delivery	
Municipal Institutional Development and Transformation	
Local Economic Development	
Municipal Financial Viability and Management	
Good Governance and Public Participation	
Spatial Planning and Environmental Management	
Total	100%

### 10.2.2. Competency requirements

The regulations applicable to Section 57 Managers require that Section 57 Managers be assessed in terms of Competency Requirements. These competencies describe general managerial and occupational skills. The assessment of these competencies will account for twenty (20) percent of the total assessment score.

The competency framework is as follows:

TYPE OF COMPETENCY	NAME OF COMPETENCY	WEIGHTING
Leading Competency	Strategic Direction and Leadership	
	People Management	
	Program and Project Management	
	Financial Management	
	Change Leadership	
	Governance Leadership	
Core competency	Moral Competence	
	Planning and Organising	
	Analysis and Innovation	
	Knowledge and Information Management	
	Communication	
	Results and Quality Focus	
TOTAL		100%

### 10.2.3. Personal Development Plan

The Local Government: Municipal Performance Regulations for Managers directly accountable to Municipal Managers require that, as part of the performance agreement, a Personal Development Plan should be developed. The Human Resources Section will provide the template for developing the PDP to be included in the performance agreement.

### **10.3. Review of Performance**

In terms of the legislative and policy framework applicable to Performance Management, specifically the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 – to be referred to as “Performance Regulations”, the performance reviews of Section 57 Employees will be conducted on a quarterly basis. The quarterly reviews will culminate into an annual performance appraisal.

The Mid Term and Annual performance review will be formal reviews, of which record will be kept. The Mid Term review needs to be done immediately after the Mid Term Performance review and prior to the approval of the adjustment budget. The annual performance review will be done, based on the audited annual performance results, being the audit done by the Auditor-General.

An employee acting in the position of the Municipal Manager for a period longer than three months will be appraised by the Executive Mayor on the contents of the performance plan for the position in which he/she is acting. An employee acting in the position of a Senior Manager for a period longer than three months will be appraised by the Municipal Manager on the contents of the performance plan for the position in which he/she is acting. Should the performance be found to be below the required standard, the performance appraisal report will be kept on the personal file of the staff member and the acting period may not be extended. In the case of performance above the expected level, the report may be used as a motivation for over and above performance in terms of the appraisal for the full time position.

The process will unfold as follows:

#### **i. Preparation and Self-assessment**

The person to be assessed have to do a self-assessment of his/her performance in terms of the individual performance plan contained in his/her performance agreement, reflecting the following :

- a) Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA. An indicative rating on the five-point scale should be provided for each KPA as self-assessment of the performance.
- b) Performance in terms of the Core Managerial and Occupational Competencies has to be assessed, as per the table in the performance agreement. An indicative rating on the five-point scale should be provided as self-assessment of the performance. Local Government: Regulations on Appointment and Conditions of Employment of senior Managers (2014) may be used as reference document for clarity on this section.
- c) A portfolio of evidence substantiating the performance for the relevant period has to be compiled.
- d) Areas for improvement may be identified by the Supervisor during the appraisal. The Manager may also, in consultation with his/her supervisor, identify areas for improvement for inclusion in the Personal Development Plan.

A copy of the Assessment form will be made available to each Manager.

## **ii. Assessment by Supervisor**

During the session the person to be assessed will be afforded the opportunity to present the results of the self-assessment with substantiating information. The supervisor – being the Municipal Manager in the case of Section 56 Managers or the Executive Mayor in the case of the Municipal Manager - will discuss the motivation and rating and will rate the performance of the respective person. The employee and the Supervisor will agree on the rating and sign off the appraisal form.

## **iii. Assessment by Evaluation Committee (for annual performance appraisal)**

In terms of Section 27(d) and (e) of the Performance Regulations, an evaluation panel needs to be established for the evaluation of the annual performance of the Municipal Manager and the Section 56 Managers.

The role of the Evaluation Committee is as follows:

- Provide oversight of the application of the policy, ensuring that the performance appraisal process is valid, fair and objective;
- Ensure standardization of norms and standards within the appraisal process of the Municipal Manager and Section 57 Managers), as well as between the OPMS and the IPMS (broader staff complement); and
- Detect potential problems in the system and advise the Municipal Manager accordingly.

The Regulations provides guidelines in terms of the constitution of the Panel:

- For the evaluation of the performance of the Municipal Manager :
  - a) Executive Mayor or Mayor
  - b) Chairperson of the Performance Audit Committee or the audit committee in the absence of a performance audit committee;
  - c) Member of the Mayoral Committee;
  - d) Municipal Manager from another Municipality; and
  - e) Member of a Ward Committee as nominated by the Executive Mayor or mayor
- For the evaluation of the performance of a Section 56 Manager :
  - a) Municipal Manager
  - b) Chairperson of the Performance Audit Committee or the audit committee in the absence of a performance audit committee;
  - c) Member of the Mayoral Committee; and
  - d) Municipal Manager from another Municipality.

After the appraisal by the Supervisor, the panel will do an assessment of the performance of the Municipal Manager and each Senior Manager, based on the information provided in the appraisal report.

#### iv. Performance Evaluation System

The criteria upon which the performance of Section 57 Managers will be assessed consist of two (2) components –

- a) the performance will be assessed against KPAs which counts for 80% of the total assessment;
- b) the performance will be assessed against Core Competency Requirements which counts for 20 % of the assessment.

Section 57 employees will be assessed on the extent to which objectives under each KPA have been achieved, taking into considerations qualitative factors in terms of the performance. A score of 1 to 5 should be allocated to each KPA (depending on extend to which the objectives have been achieved). The detailed description of the rating levels is as per in Section 27(4) of the Regulations and is reflected in the table underneath:

##### RATING SCALE

The assessment of the performance of the Employee shall be based on the following rating scale for KPA's and CCRs:

Level	Class Interval	Description	Rating				
			1	2	3	4	5
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.					
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.					
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.					
2	Not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.					

Level	Class Interval	Description	Rating				
			1	2	3	4	5
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.					

The rating scale of the competencies is as per the achievement levels of the section dealing with the Local Government: Competency Framework for Senior Managers, contained in the Local Government: Regulations on Appointment and Conditions of Employment of senior Managers, 2014. The rating scale provides for a rating of Basic, Competent, Advanced and Superior, which will be translated as follows into the 1 to 5 rating scale of the performance evaluation system:

- 1: Performance not meeting the standards as described in the Basic scale
- 2: Performance in line with the standard as described in the Basic scale
- 3: Performance in line with the standard as described in the Competent scale
- 4: Performance in line with the standard as described in the Advanced scale
- 5: Performance in line with the standard as described in the Superior scale

#### 10.4. Management of Evaluation Outcomes

The evaluation of an employee's performance will form the basis for rewarding outstanding performance or correcting unsatisfactory performance. In the case of unsatisfactory performance, the municipality shall provide systematic remedial or developmental support to assist the employee to improve his/her performance.

In terms of the Performance Regulations (2006), the following applies to the payment of a performance bonus:

Performance bonuses in recognition of employee outstanding performance may be paid, depending on affordability, ranging from 5 – 14% of the salary scale of the Municipal Manager or the Senior Manager. In this regard, a performance bonus of 5 to 9% will be due to a Section 57 Employee who achieves a score of 130 to 149 and 10% to 14% for a score of 150 and above. The Municipality will only pay performance bonuses to the Municipal Manager and/or Section 56 Managers only if an assessment period of 6 months or more have been completed in the specific position. Bonuses will be paid pro rata in the case of employees not being in the employment of Council for the full 12 month of the financial year under review.

A sliding scale was designed in terms of which the percentage bonus is being calculated:

SCALE FOR PERFORMANCE BONUS OF MUNICIPAL MANAGER AND SENIOR MANAGERS	
FINAL SCORE	% BONUS TO BE PAID
130-133	5

<b>134-137</b>	6
<b>138-142</b>	7
<b>142-145</b>	8
<b>146-149</b>	9
<b>150-152</b>	10
<b>153-155</b>	11
<b>156-158</b>	12
<b>160-162</b>	13
<b>163-165</b>	14
<b>166-167</b>	15

Bonuses based on performance may be awarded to the Municipal Manager and a Manager directly accountable to the Municipal Manager after the end of the financial year after the approval of an evaluation by the Council. The appraisal will be based on the audited performance results, which audit is to be done by the Auditor-General.

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

- a) provide systematic remedial or developmental support to assist the Employee to improve her performance; and
- b) should the poor performance not improve, after appropriate performance counselling and having provided the necessary guidance and/ or support, the Employer may consider steps to terminate the contract of employment of the Employee on grounds of unfitness or incapacity to carry out her duties.

#### **10.5. Disputing the Outcome of a Performance Appraisal**

The following process will be followed in the case of a dispute on the outcome a performance appraisal:

The legislative framework applicable to Performance Management, specifically the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006), allows for a dispute resolution in Section 33(2), quoted underneath:

*“Any disputes about the outcome of the employee’s performance evaluation, must be mediated by*

- a) In the case of a Municipal Manager, the MEC for local government in the province within 30 days of the receipt of a formal dispute of the employee, or any person designated by the MEC;*
- b) In the case of managers directly accountable to the municipal manager, a member of the municipal council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e), within 30 days of receipt of a formal dispute from the employee”.*

Except for the mediator, the other parties to the process, namely the aggrieved employee and the direct Supervisor (which will be the Executive Mayor or the Municipal Manager), will be present in order to state the reasons for the review and provide information regarding the ratings applied in the appraisal.

The Chairperson of the Performance Audit Committee will be part of the process to account to the mediator on the process of the appraisal and the outcome as Chairperson of the Evaluation Panel.

The Mediator will review all documentation and information provided by all parties and may identify a support structure for this purpose. The mediator is to make recommendations in terms of the dispute within a period of not more than 14 (fourteen) days from date of the mediation engagement.

The Performance Appraisal document prepared for the initial performance appraisal will be used for the mediation process, together with supporting documentation prepared for the process, such as the Performance Agreement signed by the employee and an assessment report on the Portfolios of Evidence provided.

A report should be tabled to Council on the outcome of the mediation process.

#### **11. Review of the Organizational Performance Management Policy**

The OPM Policy will be reviewed every three years, in order to ensure that the OPMS is compliant, effective and efficient. Should any change in the legislation or environment require a review within a shorter period of three years, it will be effected and tabled to Council for adoption.

#### **12. Repeal of Previous Policies**

Once adopted by Council, the previous policy will be repealed in totality with the implementation of this version of the Policy, which will be implemented as from the first date of the month following the Council meeting during which the Policy is to be approved.