

MATJHABENG LOCAL MUNICIPALITY

DRAFT INTEGRATED PERFORMANCE MANAGEMENT SYSTEM POLICY

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INTEGRATED PERFORMANCE MANAGEMENT SYSTEM POLICY

1. BACKGROUND INTRODUCTION

The Systems Act, Act No. 32 of 2000 requires that each municipality establish a Performance Management System that is: “commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives, indicators and targets that are contained within the Integrated Development Plan (IDP).

The implementation and institutionalization of an Integrated Performance Management System within Nyandeni Local Municipality requires that performance management and assessment occurs at two levels. It requires that performance is managed both at an institutional level and at an individual level. This policy will detail the manner in which an infrastructure, system and culture is created which supports performance management at every level.

The IDP is a 5-year strategy that is reviewed and updated annually based on community input and needs. Depending on resources and budget availability the IDP Priorities and Objectives are established for the year in question and translated into an annual Strategic Institutional Scorecard.

Departmental Scorecards detailing the specific goals to be achieved per department flow from the strategic scorecard (aligned to the IDP). These goals are translated into the Service Delivery and Budget Implementation Plans (SDBIP's) for each department as annual targets, and the establishment of these and the measurement of targets ensures that there is alignment between the IDP, the Budget and the departmental objectives.

In order to give effect to these targets, performance agreements are established with staff (beginning with s56 managers), in order to ensure that they ultimately meet the IDP objectives.

Through a formal process of performance assessment, management and reporting, it is ensured that targets are met where at all possible, and focused and concerted efforts are made to achieve these strategic objectives through effective and efficient service delivery.

Institutionally reporting on performance and the manner in which IDP objectives are met occurs at many levels.

2. LEGISLATIVE FRAMEWORK FOR PERFORMANCE MANAGEMENT

NO	LEGISLATION	YEAR OF ENACTMENT	PAGE
1.	The Constitution of the RSA, (Act 108 Of 1996)	1996	
2.	The White Paper on Local Government	1998	
3.	The Local Government : Municipal Structures Act (Act 117 of 1998)	1998	

4.	Batho Pele White Paper	1998	
5.	The Local Government : Municipal Systems Act (Act No. 32 of 2000)	2000	
6.	Municipal Planning and Performance Management Regulations	2001	
7.	The Local Government : Municipal Finance Management Act (Act No. 56 of 2003)	2003	
8.	Regulations for Municipal Managers and Directly Reporting Managers	2006	
9.	Framework for Managing Programme Performance information	2007	
10.	The King III Report		
11.	Regulations on Appointment and Conditions of Employment of Senior Managers	2014	
12.	The MFMA Circulars		

RELEVANT LEGISLATION APPLICABLE TO THIS POLICY

This policy is informed/influenced by the following legislation:

- 11.1 The Constitution of the Republic of South Africa Act, Act No. 108 of 1996;
- 11.2 Municipal Planning and Performance Management Regulations, 2006;
- 11.3 Municipal Structures Act, Act No. 117 of 1998;
- 11.4 Municipal Systems Act, Act No. 32 of 2000;
- 11.5 White Papers on Local Government 1998; and
- 11.6 Labour Relations Act, Act No. 66 of 1995.

3. DEFINITIONS OF POLICY CONCEPTS

All key words and conceptions contained herein are as defined in the relevant legislation and in these definitions unless the context indicates otherwise:

Audit Committee municipality	-	A committee of the municipality established in terms of the relevant provisions of the Finance Management Act, No 56 of 2003
Customers	-	The members of the community of Nyandeni Local Municipality and the recipients of the municipal services.
Clients	-	Same as Customers
Work Teams	-	A group of employees who are performing the same or similar functions on a continual basis.
Performance Management System evaluate	-	A process used by the Municipality to Organizational and its individual performance against the goals and objectives set out on the IDP.
Municipality	-	Refers to the Nyandeni Local Municipality (NLM).
Levels/Grades	-	Skills levels. Level 1: Basic skills (Grade 3); Level 2: Discretionary skills (Grade 4 – 8); level 3: Specialized skills (Grade 10 – 11); Level 4: Tactical Skills (Grade 14 – 16); and Level 5: Strategic skills (Grade 20 – 25).
Senior Manager	-	Head of Department.
Panel	-	Members that are in a committee assessing an Individual employee or group of employees.
KPA	-	Key Performance Area
KRA	-	Key Responsibility Area.
Monitoring reporting outcomes and	-	Monitoring involves collecting, analysing, and data on inputs, activities, outputs,

way that

Monitoring aims to

other

progress in

indicators of

usually reports

planned

Evaluation
that

information to

decision making by

Evaluations may

effectiveness, impact and

examine whether

were valid, what

Evaluation can also be

operating unit

for modification

impacts as well as external factors, in a

supports effective management.

provide managers, decision makers and

stakeholders with regular feedback on

implementation and results and early

problems that need to be corrected. It

on actual performance against what was

or expected.

Evaluation is a time-bound and periodic exercise

seeks to provide credible and useful

answer specific questions to guide

staff, managers and policy makers.

assess relevance, efficiency,

sustainability. Impact evaluations

underlying theories and assumptions

worked, what did not and why.

used to extract crosscutting lessons from

experiences and determining the need

to strategic results frameworks.

KEY CONCEPTS

Inputs: all the resources that contribute to the production of service delivery outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.

Activities: the processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.

Outputs: the final products, goods and services produced for delivery. Outputs may be defined as “what we produce or deliver”.

Outcomes: the medium-term results for specific beneficiaries which are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution’s strategic goals and objectives set out in its plans. Outcomes are “what we wish to achieve”. Outcomes are often further categorized into immediate/direct outcomes and intermediate outcomes.

Impacts: the results of achieving specific outcomes, such as reducing poverty and creating jobs. Impacts are “how we have actually influenced communities and target groups”.

4. POLICY PURPOSE

To ensure that performance is managed according to strategic objectives as reflected within the Integrated Development Plan (IDP) and to ensure that there is alignment between individual and organizational behaviour and performance targets and objectives.

5. ESTABLISHMENT OF THE PM SYSTEM

The establishment of the Municipality’s Performance Management System (Chapter 6 Section 38)is informed by the need to establish a PM system which is commensurate with its resources, best suited to its circumstances, and in line with the priorities, objectives, indicators and targets contained in the IDP; and the Performance Management System seeks to promote a performance management culture among political structures, political office bearers and Councillors and in its administration and also administer its affairs in an economical, effective, efficient and accountable manner.

DEVELOPMENT OF A PERFORMANCE MANAGEMENT SYSTEM

The legislation (assigns the responsibility) requires the Executive Mayor/Mayor to manage the development of the Municipality’s PM system to reflect principles of accountability and continuous drive towards improved service delivery. (then delegates the responsibility to the Municipal Manager)

KEY OBJECTIVES

Aside from the legislative prescriptions, the key objectives for the Integrated Performance Management System are defined as follows:

3.1 Achievement of the organization’s strategic objectives;

- 3.2 Identifying and addressing the required skills and competencies required for staff to contribute towards achieving organizational objectives;
- 3.3 Providing staff with the opportunity to actively manage their own performance;
- 3.4 To recognize and reward those employees who meet the policy criteria for reward;
- 3.5 To facilitate all performance reporting by the municipality; and
- 3.6 To instil a performance orientated culture throughout the organization.

6. SCOPE OF THE POLICY APPLICATION

The scope of the Integrated Performance Management Policy and System shall be applicable to the following levels, as part of a long-term roll-out process:

- 4.1 All managers as defined by section 57 (2) (a) of the Municipal System Act No 32 of 2000;
- 4.2 All other Managers who have negotiated fixed term contracts;
- 4.3 All employees of Nyandeni Local Municipality who are in full time employment.
- 4.4 This policy shall apply to all employees of the municipality excluding casual employees and employees hired for less than three months and those employees who are on EPWP.
- 4.5. This policy shall be applicable from the date of adoption by the Council.

7. TARGET AUDIENCE

This Performance Management Policy is applicable to all Municipal employees subject to relevant regulatory prescripts and in some instance; the provisions of this policy should be included in the relevant Performance Management Contract of staff appointed in specific policy is thus concerned with the Planning, Contracting, Measuring and Monitoring, Coaching and reviewing of the individual performance of all employees within the municipality.

8. PRINCIPLES OF PMS

The Integrated Performance Management System Policy shall be guided by the following key principles:

- a) It must be uniformly applied to all applicable parties;

- b) It must be applied as a universally recognized means to manage and improve performance and work standards;
- c) Personal Development Plans are to be developed for all staff (as per roll-out of policy) in order to ensure that they are capacitated and developed appropriately in order to be able to deliver in terms of required performance;
- d) Performance is assessed at both the individual and organizational levels;
- e) There is alignment between the IDP, Budget and SDBIP's;
- f) Reporting will be based on the National Indicators and Performance Scorecards at all levels will be written in accordance with the 5 National Indicators;
- g) Each Scorecard will have appropriate weights attached to each National Indicator as per the Performance Regulations (referred to as a Key Performance Area (KPA) within a scorecard and at an individual level. These Key Performance Areas will be headed as follows:
Municipal Infrastructure and Institutional Development
- h) Financial Management and Viability
- i) Service Delivery
- j) Local Economic Development
- k) Good Governance & Public Participation.
- l) The weights attached to all five KPA's must add up to a total of 80% for each scorecard;
- m) The remaining 20% of the value of each scorecard must be made up of Core Management Competencies (CMC's) and these must be made up of a maximum of 6 CMC's, of which three are regarded as compulsory in terms of the Performance Regulations (Refer Annexure A). These are weighted appropriately to reach a maximum of 20%;
- n) In the event that the Performance Management Policy applies to non-managers, scorecards would still total 100% but the KPA's would be weighted and distributed over the full 100%;
- o) Performance assessment must be based on clear measures and agreed standards;
- p) Performance targets and objectives must provide clarity to all employees on their role in the achievement of municipal and departmental targets;
- q) Performance contracts / agreements are to be signed as applicable by section 56 managers, middle managers and staff to whom the system is applicable (as per roll-out);

- r) The system must take into account the applicable legal and regulatory prescriptions applicable;
- s) The system must serve as an early warning system to facilitate management and appropriate interventions to address performance issues identified;
- t) Staff are to be rewarded according to the prescriptions of this policy;
- u) Feedback on progress is to be fed back to the community through defined and ongoing reporting mechanisms;
- v) Reporting at both the individual and organizational level is to occur through formal and stipulated reporting instruments and channels, and
- w) This Integrated Performance Management System Policy is to be read together with the attached Integrated Performance Management System Procedures document (Annexure A).

The performance management of the municipality shall be underpinned by the following principles:

- x) Provide the strategic direction for both the individual employee and the municipality as well as commitment to achievement of the set objectives;
- y) Integration and alignment with other municipal processes such as planning, budgeting and human resources;
- z) Encourage the involvement of all role players as well as communication to all stakeholders in its development, implementation and reviewal processes;
- aa) Implementation and consistent application, in an equitable and fair manner to all employees;
- bb) Promote individual and organisational responsibility and accountability on all processes;
- cc) Ensure that poor performance is addressed as and when it arises to allow for immediate attention and continued performance improvement;
- dd) Focus on developmental and not punitive processes that encourages the implementation of corrective measures in cases of under-performance; and
- ee) Ensure that there is recognition and motivation of excellent performance

9. ALIGNMENT (LINKING) OF ORGANISATIONAL AND INDIVIDUAL PERFORMANCE MANAGEMENT

The performance of the municipality is integrally linked to that of staff. If there is proper management of the performance of staff and employees do not perform, the municipality will

still fail. It is important to link organisational performance to individual performance; and to manage both at the same time but separately.

The Performance Management Policy must clarify how the organisational and individual performance management within the municipality would be integrated to create a result orientated organisation whose individual contribution lead to organisational achievement.

10. ROLES AND RESPONSIBILITIES

Effective performance management relies on the quality of the relationship and understanding between role players in PMS, and in particular the line manager and direct report. To facilitate this relationship and understanding, the following must apply:

- The Performance Management Policy of the municipality must assign various roles and responsibilities to key role players for the effective development and implementation of the performance management system in the municipality; and
- The roles of every role players in the performance management system of the municipality must be clearly outlined in the policy.

11. PERFORMANCE MANAGEMENT CYCLE



Performance management is embedded within effective management principles and this process has been designed to ensure that key phases are taken into consideration when managing employee performance. The municipal financial year commences on the 1st July of each year to the 30th June of the following year. The performance management cycle comprises of the following main phases:

11.1. Performance Planning and Contracting:

This is a formal process of developing Performance Agreements, Performance Plans/Scorecards/Work plans and Personal Development Plans and contracting an employee through the signing of these documents which outlines the performance expectations and development needs to be addressed in a specific financial year. For the purpose of performance planning and contracting the following shall apply:

- All employees are required to develop and sign a performance agreement, performance instrument (performance plans/scorecards/work plans) and a Personal Development Plan (PDP) jointly with their respective manager/supervisor before the commencement of the new financial year (in April-May); and
- All new employees joining the municipality should develop and sign a performance agreement, performance instrument (performance plans/scorecards/work plans) and a PDP within 60 days of employment.

12. PERFORMANCE ASSESSMENT

- 12.1. At an institutional level performance is assessed monthly, quarterly, mid-yearly and annually in a number of ways which include (but are not limited to) s72 reports; quarterly SDBIP reporting; Sec 52 (d) and mid- year Performance Report; Annual (Sec 46 of MSA and 121 of MFMA Report, and the Auditor General's and MPAC Reports ---all of which translate to the reporting that is then provided to communities;
- 12.2. At the individual level formal assessments (by a constituted Performance Assessment Panel) will be conducted as a 1st review during February for the mid-term and for the final annual assessment not later than December; and
- 12.3. Ratings will occur according to the approved rating calculator (Annexure A) and assessment process.

13. ELIGIBILITY TO BE CONTRACTED TO PERFORMANCE MANAGEMENT SYSTEM:

It is important for the policy to stipulate the timing of application performance management system as this may create unnecessary challenges of disputes and have huge financial implications for the municipality. Whilst the policy is applicable to all employees in the municipality, the policy must be clear how the performance of various categories of employees are managed at different phases on the PMS processes in terms of eligibility to be contracted on PMS for the following employee categories:

- Employees on fixed term whose employment contract terminates during a performance period;
- Employees on prolonged leave like maternity leave;
- Newly appointed employees on probation;

- Employee facing disciplinary actions;
- Employees in acting positions;
- Internal appointments;
- Temporary staff;
- Resignations;
- Interns; etc.

The policy should stipulate the timing of who should conclude the performance agreement, performance instrument (performance plans/scorecards/work plans) during contracting and as new employees join the municipality, i.e. an employee who joins the municipality after mid-year may not be contracted to PMS with an expectation of receiving performance rewards at the end of the financial year, this policy should protect employees against unfair assessment during the formal reviews at the end of the financial year; and this policy should also protect the municipality against any unnecessary legal implications and unnecessary financial implications.

14. Coaching and Feedback:

This is a consistent process of measuring performance and providing on-going feedback to employees on their progress towards reaching their set objectives:

- On-going monitoring provides the opportunity to assess progress and check how employees are doing and to identify and resolve any identified challenges.
- Coaching is equally important to provide feedback on areas of success as well as those requiring improvement.

15. Reviewing and Appraising:

Performance reviews are an on-going process of planning and monitoring performance:

- This includes formal assessment of the progress made towards attainment of the KPIs and targets in the performance instruments (plans/scorecards/work plans);

A half-yearly performance review should be held to assess performance for the first six (6) months of the financial year and a final (year-end) review of the current financial year should be conducted after the Auditor-General has submitted his/her report to the municipality

16. Performance Recognition and Rewarding:

This is a formal process which involves the recognition and rewarding of employees who have met or exceeded the desired levels of performance expectations agreed during the planning and contracting phase.

- The recognition and rewarding of municipal employees who meet performance expectations outlined in their performance plans/scorecards/work plans would be incentivised with both financial and non-financial awards to motivate excellence.

17. Performance Reviews

The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 provides guidelines on how the performance reviews should be managed.

- The above guidelines stipulates that the reviews on the performance of individuals must take place quarterly;
- In managing the performance monitoring, coaching and review processes, the manager/supervisor must keep a record of the mid-year and final review sessions;
- Performance feedback must be based on the manager's/supervisor's assessment of the employee's performance;
- The manager/supervisor will be entitled to review and make reasonable changes to the provisions of the performance plan/scorecard/work plan from time to time for operational reasons on agreement between both parties;
- The manager/supervisor may amend the provisions of the performance plan/scorecard/work plan whenever the performance management system is adopted, implemented and/or amended as the case may be on agreement between both parties;
- Two formal performance reviews are compulsory and shall be conducted in a financial year; and
- In this regard Section 28 of the Regulation stipulates that the performance of the employee in relation to his or her performance agreement must be reviewed on the dates tabulated below with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:

QUARTER	PROCESS	DATE
1st (July- September)	Monitoring and Coaching	October
2nd (October-December)	Mid-year Review	January-February
3rd (January- March)	Monitoring and Coaching	April
4th (April- June)	Final Formal Review	January-February

18. Personal Development Plans (PDPs)

A Personal Development Plan (PDP) is a mechanism of identifying the development needs of an employee which needs to be addressed through identification and facilitation of appropriate training and development interventions in order to assist the employee to achieve the performance expectations.

19. General Policy Provision

The following sections reflect the provisions for this policy:

Performance Culture

- The aim of the performance management in the municipality must include the promotion of performance culture across all levels within the municipality; and
- The Performance Management System (PMS) should assist the Municipality in administering its affairs in an economical, effective, and accountable manner.

19. Performance Monitoring, Evaluation and Auditing

It is important to ensure that the performance information contained in the performance reports of the municipality is valid, accurate and reliable; this information should be audited as part of demonstrating transparency. Auditing of performance information is one of the key elements of the monitoring and evaluation processes.

- The Performance Management System (PMS) is the key to integrate the IDP and SDBIP;
- The municipality must develop and implement some mechanism to ensure that monitoring, reporting, evaluation, review, validation and assessments are performed;
- Performance monitoring is a continuous process that runs parallel to the implementation of the IDP and SDBIP; and
- During performance monitoring, the following activities must be carried out:
- Evidence of performance has to be gathered and presented to substantiate claims of attaining (or failing to attain) the set performance targets and standards;
 - Determine the data/information to be collected in order to assess performance;
 - Determine and select the method of data/information collection, storage, verification and analysis;
 - Comparing of current performance with performance of the previous financial years and baseline indicators;
 - Each department, division/business unit and individual has the responsibility to collect relevant data, statistics and information to support the Monitoring Process.
 - Monitoring of performance should be communicated to the relevant stakeholders, including the community; and
 - Performance reports should be provided to the Municipal Council on regular (quarterly) basis.

20. Performance Monitoring Components

Performance monitoring approach should include the following:

- A set of appropriate KPI's measuring performance against expected outcomes and impact on the municipal development priorities;
- A set of measurable targets for each of the municipal development priorities;
- Monitor to measure performance at least quarterly;
- Despite the establishment of agreed intervals for evaluation, the employer may in addition review the employee's performance at any stage while the employment contract remains in force
- Steps to improve performance on the municipal development priorities when needed; and
- A process of regular reporting to all the relevant stakeholders such as the Municipal Council, Governance Structures, Organs of State, Staff and the Community.

21. Performance Criteria

The legislative framework requires that the PMS must differentiate between general staff and managers directly accountable to the Municipal Manager or second level posts. KPA's should be developed for financial and non-financial purposes and meet prescribed requirements.

21.1. Performance Criteria for Managers

The following performance criteria must be applied for managers:

- Separate performance contract must be agreed with individuals in these positions;
- Performance contract must be based on role profiles, performance objectives & targets and aligned with the relevant KPI's;
- Performance agreements must assess the contribution made towards Key Performance Areas and (KPA's) and Core Competencies requirements (CCR's) on a weighted basis of 80:20 respectively;
- Performance agreements must be entered into for each financial year of the municipality, or part thereof and renewed for the following year;
- Performance agreements terminate when the employment contract terminates;
- The content of valid agreements should be adjusted when the work environment alters and the content is no longer applicable;
- Performance instruments (plans/scorecards/work plans) must set the time frames within which the performance objectives and targets must be met targets must be met by employees; and
- KPIs should provide details of the evidence that is required to show that task has been met.

21.2. Performance Criteria for General Staff

Deliverables of each employee must be defined in a performance development plan where the evidence required for each KPA and Each KPI is documented:

- The KPI should include what, where, how and when tasks must be completed;
- Performance evaluation must assess the contribution made towards Key Performance Areas and (KPA's) and Core Competencies requirements (CCR's) on a weighted basis of 80:20 respectively;
- Performance of staff will be evaluated on a quarterly basis;
- Supervisors must be trained thoroughly in proper appraisal procedures;
- Supervisor must apply consistent, explicit and objectives related standards when preparing a performance appraisals;
- Audit system must be in place to ensure appraisals are unbiased;
- Problem areas must be documented;
- Time table must be established for improvement when appraisals detect sub-standard performance;
- Employees must be given a clear opportunity to respond to negative appraisals including the right to appeal against the ratings given; and
- The Municipality must be able to prove that the employees received the performance appraisal.

21.3. Determining Performance Evidence

- a) "Evidence" refers to the documents – i.e. concrete proof – that must be produced at the time of review to indicate the extent to which the employee has achieved the performance objectives and targets agreed upon during planning and contracting;
- b) The evidence of achievement is agreed upon at the same time when the KPAs, KPIs and targets are set during planning and contracting;
- c) Evidence is utilized in performance management system to ensure that:
 - The employee's performance is reviewed fairly;
 - There are no allegations of management bias in the assignment of ratings at the time of review; and
 - The work the employee has performed can be quality assured to allow for an assessment of the standard to which a KPI has been achieved.

- d) The evidence forms the basis of the feedback discussion between the manager and employee, and for it to be effective, evidence must be:
- Indisputable (clearly reflect the facts);
 - Unambiguous (clearly reflect the achievement/non-achievement of the KPI); and
 - Concise (reviewers should not have to “wade through” piles of paper to ascertain whether the KPI has been met – rather, they should be able to tell quickly and with certainty whether the employee has met the KPI).
 - The portfolio of evidence may be subjected to a verification and validation process to ensure that such evidence meets the criteria of reliability and validity; and
 - Internal Audit shall play a role in the auditing of individual employee performance evidence as part of the overall quality assurance process.

21.4. Performance Evaluation (Scoring and Rating)

- The scoring and rating of performance shall only occur at mid-year and at the end of the performance cycle, the final formal review, and or at any time during the performance cycle if the supervisor is of the opinion that it is required;
- The municipality would utilise a 5-point rating scale to for the purposes of scoring and rating the performance of employees;
- The Municipal Manager would be rated by the Executive Mayor assisted by the Performance Management Panel established as per the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006;
- For all other levels of staff, the immediate manager is responsible for reviewing and rating the performance of their direct reports;
- In the event that the immediate supervisor or manager is unable to conduct the performance reviews and rating of their direct reports, their immediate supervisor or manager would do; and
- The final performance scoring, ratings and all comments must be agreed to and signed off by all parties involved in the review.

21.5. What Constitute Outstanding Performance

- The municipality should develop a framework to define, in practical terms, the desired levels of performance aligned to the 5-point Rating Scale; and
- In the absence of a framework to define the desired levels of performance, 100% performance would refer to the full attainment of the annual target in the performance instrument (plan/scorecard/work plan); and

- Performance would be rated as significantly above expectations if the employee achieves above 100% of the set target.

22. The Rating Scale

- The municipality should adopt a 5-point rating scale as stipulated in the municipal performance management regulations; and
- The 5-point scale shown below is used to properly determine whether the requirements of a performance indicator (KPI) and its associated target and target date have been met:

Rating	Generic Rating Descriptions
1	Unacceptable Performance: Performance does not meet the standard expected for the job. The review/ assessment indicate that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the Performance Agreement 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.
2	Performance Below the Required Performance Level: Performance not fully effective and is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/ assessment indicate that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the Performance Agreement and Performance Plan.
3	Performance Meets the Required Performance Level: 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.
4	Performance Exceeds the Required Performance Level: 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.
5	Exceptional Performance Achievement: 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 Performance Agreement and Performance Plan and maintained this in all areas of responsibility throughout the year. Excellent performance

23. Evaluation Panels

For purposes of evaluating the annual performance of the municipal manager, an evaluation panel constituted of the following persons must be established:

- 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 or Executive Committee or in respect of a plenary type municipality, another member of council;
- d)** Mayor and/or municipal manager from another municipality; and
- e)** Member of a ward committee as nominated by the Executive Mayor or Mayor.

For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established -

- 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 or Executive Committee or in respect of a plenary type municipality, another member of council; and
 - d)** Municipal manager from another municipality.
-
- The Manager responsible for Human Resources of the municipality must provide secretariat services to the evaluation panels.
 - The performance of other staff below levels of senior management will be evaluated by their respective supervisors.

24. Recognising and Rewarding Performance

- The municipality would recognise and reward employees who meet and exceed the performance targets and obligations in their individual performance plans/scorecards/work plans;
- The performance rewards would be regulated by the municipality's policies and budgetary imperatives;
- Evaluation of the employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

- In accordance with the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006; a performance bonus ranging from 5% to 14% of the all-inclusive cost-to-company remuneration package or criteria recommended by the Remuneration Committee and the Mayoral Committee/EXCO and approved by the Municipal Council may be paid to an employee in recognition of outstanding performance;
- Fixed-term contract employees and contractors and any other individuals shall be entitled to receive a performance bonus commensurate with the final rating and scores obtained during the final performance review at the end of the performance year;
- Permanent employees who fulfil obligations in their individual performance instruments (plans/scorecards/work plans) and comply with all the requirements of the municipality's Performance Management Policy shall be entitled to performance incentives recommended by the Remuneration Committee and the Mayoral Committee/EXCO and approved by the Municipal Council;
- To ensure that performance rewards are applied fairly and equitably in the municipality, all rewards have to be recommended by the Remuneration Committee, signed-off by the Mayoral Committee/EXCO and approved by the Municipal Council;
- Appropriate rewards as approved by the Municipal Council would be paid to deserving employees (those with a performance outcome/score/rating of 3 and above) within 60 days after such approval and subject to affordability.

25. PERFORMANCE BONUS

As per the Performance Regulations, the S56 Managers and Managers report to S56 Manager will qualify for performance bonuses according to the following ratings:

- A score of 130% to 149% is awarded a performance bonus ranging from 5 – 9%, and
- A score of 150 and above is awarded a performance bonus ranging from 10% - 14%.

S56 Managers and managers below senior managers have their bonuses worked out on a sliding scale framework. This score is out of 200 points (ie. their scores on their scorecards which are out of a total of 100 points is multiplied by two to get a score out of 200). Their bonus should be scored as follows :

<u>Score / 200</u>	<u>% Bonus</u>
101 -129 ?????	
130 (65%)	5
134 (67%)	6
138 (69%)	7
142 (71%)	8
146 (73%)	9
150 (75%)	10
154 (77%)	11
158 (79%)	12
162 (81% - 82 %)	13
166+ (83% +)	14

Payment of Performance Bonuses

In accordance with regulation 32 of the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006; a performance bonus, based on affordability, may be paid to the employee, after:

- a) The annual report for the financial year under review has been tabled and adopted by the municipal council;
- b) An evaluation of performance in accordance with the provisions of regulation 23; and
- c) Approval of such evaluation by the mayoral committee as a reward for outstanding performance.

26. Management of Performance Outcomes

- Every employee should be informed of the results of the performance reviews in writing;
- The evaluation of the employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance;
- An employee, who is not satisfied with the outcome of his /her assessment, may refuse to sign it;

- The employee's supervisor must clearly indicate the appeals route for an employee who is not satisfied with the outcome of his /her assessment;
- At any appeal against the outcome of his /her assessment, the employee may be assisted by a representative;
- In the case of persistent unacceptable performance recorded identified during the reviews, the municipality shall:
 - provide appropriate performance counselling, systematic remedial or developmental support to assist the employee to improve performance; and
 - after and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and performance does not improve, the municipality would deal with poor performance within the context of principles of fairness espoused in the LRA, 1995. Schedule 8 of the Labour Relations Act (The Code of Good Practice: Dismissal) which sets out the procedure for dismissing an employee for poor work procedure.

27. Managing Poor Performance

The evaluation of the employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance:

- A scenario where employees only find out about gaps/challenges in their performance during the mid-year or final reviews should be prevented at all times;
- Disciplinary processes should be adapted to accommodate measures to address poor performance; and
- In the event that an employee is failing to his/her performance objectives the following guideline should be followed.

27.1. Addressing Poor Performance

In addressing Poor Performance, the following steps should be followed:

- Ensure the employee is fully aware of their job descriptions and requirements;
- Agree performance plan based on KPA's, KPI's and CCR's;
- Provide adequate training, instructions and coaching; and
- Provide regular feedback on

27.2. Poor Performance Counselling

In instance where poor performance does not improve performance counselling should be applied:

- Employee's direct manager is responsible for conducting any formal counselling session for poor performance;
- Address the reasons why employee is failing to meet performance standards;
- Agree on personal Performance Development Plan that assist employee to improve performance;
- Inform employee of possible consequences of not complying with performance standards; and
- Document all measures taken

27.3. Corrective Action

- Corrective action should be considered when an employee, after reasonable time of counselling still continues to perform unsatisfactory notwithstanding appropriate evaluation, instruction and guidance; and
- Formal disciplinary steps may be implemented, including a disciplinary hearing and corrective action through a series of graduated disciplinary measures considered.

28. Dispute Resolution and Grievance Process

- The provisions of the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 shall guide the management of any dispute arising from performance reviews for the Municipal Manager and Managers directly reporting to the Municipal Manager; and
- The municipality must establish dispute resolution mechanisms to deal with any disputes arising from the performance outcomes of employees on staff levels not employed as a Municipal Manager or Managers directly reporting to the Municipal Manager.
- Disputes are to be dealt with in the manner prescribed by the Regulations and for staff other than the s56 managers according to the approved internal Dispute Resolution mechanisms.

29. REVIEW

30. Managing Unacceptable Behaviour

Non-compliance to assigned roles and responsibilities contained within this Policy or unacceptable conduct during the execution of this policy constitutes unacceptable behaviour which may need to be addressed in accordance to the Disciplinary Code and Procedure policies.

31. Policy Review

The provisions of this policy may be reviewed on an annual basis in consultation with the relevant stakeholders to ensure the continued relevance and effectiveness.

32. Technical Systems

Technical systems may be used to evaluate performance of individuals and the municipality.

Performance data must be of suitable quality that allows validation of the data.

Only validated data must be included in a technical system that measures performance.

32.1. Technical Systems Requirements

Use of technical system should meet the following requirements.

The system should save time, increase productivity and includes methods such as entering data into a central data repository.

Improve data integrity by decreasing human interventions.

Analyse the data in graph format and what if scenarios

33. Data Records and Reporting

Performance data must be collated, analyzed to compare existing trends within the municipality. The results should be communicated to develop shared improvement strategies that can enhance performance.

35. PERFORMANCE ASSESSMENT

- 35.1. At an institutional level performance is assessed monthly, quarterly, mid-yearly and annually in a number of ways which include (but are not limited to) s72 reports; quarterly SDBIP reporting; Sec 52 (d) and mid- year Performance Report; Annual (Sec 46 of MSA and 121 of MFMA Report, and the Auditor General's and MPAC Reports ---all of which translate to the reporting that is then provided to communities;
- 35.2. At the individual level formal assessments (by a constituted Performance Assessment Panel) will be conducted as a 1st review during February for the mid-term and for the final annual assessment not later than December; and
- 35.3. Ratings will occur according to the approved rating calculator (Annexure A) and assessment process.

36. GOVERNANCE ISSUES

The following governance structures are responsible for the governance of this policy:

- Council: adoption of the policy;
- Municipal Manager: formulation, review and amendment of the policy;
- Manager: Corporate Services: administration and management thereof ; and
- Performance Assessment Committee / Panel: to formally assess performance of staff; and
- Audit Committee: to verify results and application of the policy.

37. TOOLS OF PERFORMANCE MANAGEMENT

- a. The performance agreement shall be used as a tool for capturing critical performance information like performance objectives indicators and targets for all performance for S56 and middle managers.
- b. A performance assessment form for all other employees shall contain performance objectives, indicators and targets
- c. An account of performance progress achieved shall be provided in terms of the agreed upon procedure between the reviewer and employee.
- d. An appropriate working tool shall be used by all municipal employees in order to accomplish productivity and to provide any necessary information needed for performance assessment.
- e. Performance summary sheets may be used to illustrate performance by and for the employee concerned.

6. PERFORMANCE ASSESSMENT

- 6.1.** At an institutional level performance is assessed monthly, quarterly, mid-yearly and annually in a number of ways which include (but are not limited to) s72

reports; quarterly SDBIP reporting; Sec 52 (d) and mid- year Performance Report; Annual (Sec 46 of MSA and 121 of MFMA Report, and the Auditor General's and MPAC Reports ---all of which translate to the reporting that is then provided to communities;

- 6.2. At the individual level formal assessments (by a constituted Performance Assessment Panel) will be conducted as a 1st review during February for the mid-term and for the final annual assessment not later than December; and
- 6.3. Ratings will occur according to the approved rating calculator (Annexure A) and assessment process.

6. TOOLS OF PERFORMANCE MANAGEMENT

- f. The performance agreement shall be used as a tool for capturing critical performance information like performance objectives indicators and targets for all performance for S56 and middle managers.
- g. A performance assessment form for all other employees shall contain performance objectives, indicators and targets
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- 6.3. Ratings will occur according to the approved rating calculator (Annexure A) and assessment process.

7. PERFORMANCE BONUS

As per the Performance Regulations, the s56 Managers and Managers report to S56 Manager will qualify for performance bonuses according to the following ratings:

- A score of 130% to 149% is awarded a performance bonus ranging from 5 – 9%, and
- A score of 150 and above is awarded a performance bonus ranging from 10% - 14%.

S56 Managers and managers below senior managers have their bonuses worked out on a sliding scale framework. This score is out of 200 points (ie. their scores on their scorecards which are out of a total of 100 points is multiplied by two to get a score out of 200). Their bonus should be scored as follows :

<u>Score / 200</u>	<u>% Bonus</u>
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146 (73%)	9
150 (75%)	10
154 (77%)	11

158 (79%)	12
162 (81% - 82 %)	13
166+ (83% +)	14

ASSESSMENT PROCESS

- a. Each Manager, or equivalent job titles shall prepare a performance report based on his or her performance contract or agreement at the end of each quarter
- b. Performance of the other employees shall be assessed on a quarterly basis by their individual supervisors according to the set performance standards and objectives.
- c. A team based performance management methodology shall and/or may be used to assess and evaluate the performance of employees for all posts including any clerical position or any office based position to give an account of his/her performance according to the set performance targets at the end of each quarter.
- d. Employees shall be assessed individually for their performance by their
 - i. Immediate superiors in a formal setting for quarterly performance preceding the mid-year and annual performance reviews.
 - ii. Once a performance report has been forwarded to the manager or the supervisor a meeting must be scheduled for the discussion of the report.
 - iii. Employees who are not required to write their performance reports shall be advised in writing to attend their oral performance assessment sessions.
 - iv. In this meeting/session, agreements and disagreements around performance issues shall be agreed upon between the employee and manager /supervisor and shall be recorded.
 - v. Performance reports or records of performance shall be subjected to ratification and acceptance with or without alterations by the respective performance evaluation panel.

- i. The annual and mid-year performance review of all Managers shall be assessed and ratified by an evaluation panel made up of the following members:
- ii. Senior Manager: Corporate Services
- iii. Senior Manager from the department where the employee comes from.
- iv. Member of the Audit Committee as decided upon by the Audit Committee.
- v. The Manager from where the employee comes from shall chair the performance assessment session.
- vi. The Municipal Manager shall choose one of the Managers to stand for him or her when the performance of the Departmental Manager within the Office of the Municipal Manager is assessed; such chosen Manager shall be the chairperson of the performance assessment proceedings.
- vii. The performance assessment panel for annual and mid-year performance of all other posts or positions other than those mentioned in the preceding clauses (depending on the levels/grades) shall be constituted as follows:
- viii. The HR Manager:
- ix. The Manager of the Department/Immediate Superior of the employee
- x. The Manager of the Division/Immediate superior shall chair the performance assessment Proceedings.
- xi. In the absence of the member of panel due to the vacancy of the position the, acting person shall replace such person in the panel.
- xii. Any member of the panel shall prioritize attendance of the performance assessment sessions.
- xiii. Should a member of the panel be unable to attend a particular performance assessment session, he/she shall choose a person to represent him/her provided such person's status is equivalent to that of his/hers in terms of this policy.
- xiv. The quorum for each performance assessment panel to sit and conduct its business in terms of this policy shall be 50 plus 1 in any given situation.

1. **Other Staff**

2. Performance Rewards will be negotiated between all stakeholders based on the following principles:

- Non-Monetary
- Negotiated with stakeholders
- Intended to capacitate and develop individual and or team performance
- Agreed upon value
- Subject to available budget (Merit Award paid as a once off merit – dependant on budget)

8. **DISPUTE RESOLUTION**

Disputes are to be dealt with in the manner prescribed by the Regulations and for staff other than the s56 managers according to the approved internal Dispute Resolution mechanisms.

9. **GOVERNANCE ISSUES**

The following governance structures are responsible for the governance of this policy:

- **Council:** adoption of the policy;
- **Municipal Manager:** formulation, review and amendment of the policy;
- **Manager: Corporate Services:** administration and management thereof ; and
- **Performance Assessment Committee / Panel:** to formally assess performance of staff; and
- **Audit Committee:** to verify results and application of the policy.

10. **COMPETENCE AND CAPACITY TO IMPLEMENT**

- 10.1 All managers, supervisors and team leaders will be trained to plan, coach and review /report on performance. This is to occur in accordance with the prescriptions of the roll out plan.
- 10.2 Human Resources Department must ensure the availability of necessary resources for reporting and record keeping - ensuring effective administration of the process.

11. **RELEVANT LEGISLATION APPLICABLE TO THIS POLICY**

This policy is informed/influenced by the following legislation:

- 11.1 The Constitution of the Republic of South Africa Act, Act No. 108 of 1996;
- 11.2 Municipal Planning and Performance Management Regulations, 2006;

- 11.3 Municipal Structures Act, Act No. 117 of 1998;
- 11.4 Municipal Systems Act, Act No. 32 of 2000;
- 11.5 White Papers on Local Government 1998; and
- 11.6 Labour Relations Act, Act No. 66 of 1995.

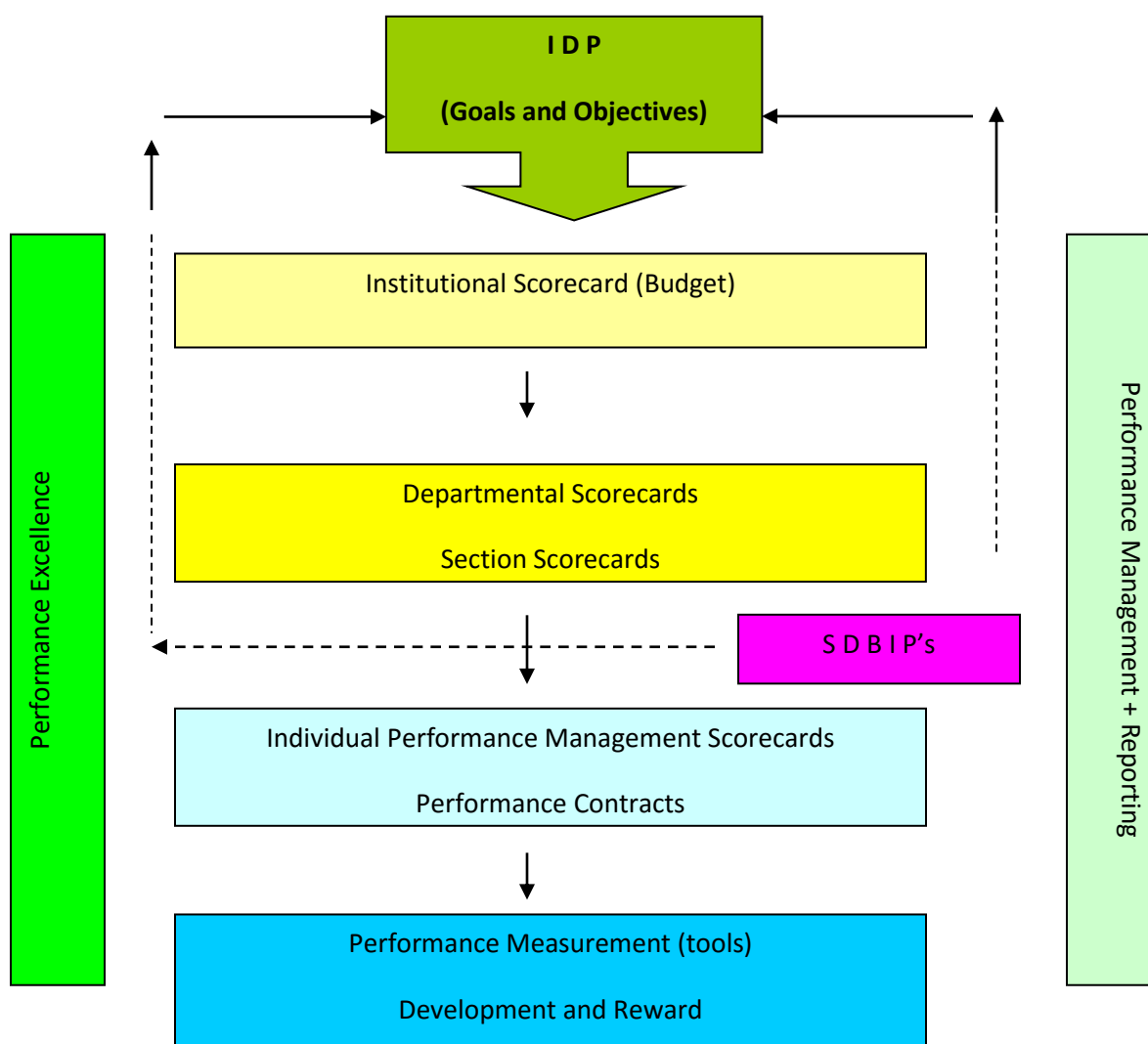
ANNEXURE A

INTEGRATED PERFORMANCE MANAGEMENT SYSTEM: PROCEDURES

1. BACKGROUND

The Integrated approach to understanding and applying performance management within Nyandeni Local Municipality must be examined and reflected as a process of performance assessment and management that occurs at both the individual and the institutional level. This is further understood by considering the diagram (Fig. 1) below and the text which follows.

Fig. 1: INTEGRATED PERFORMANCE MANAGEMENT SYSTEM



By following this system and structure (depicted above), we are able to visualize the interrelatedness of these processes and acknowledge the aspects of strategic planning, and integration of departmental and individual goals, in order to ensure that the goals and objectives of the IDP are met. In this manner the organization will ensure that performance measurement occurs, and that the necessary steps are taken to ensure performance excellence and that a culture of performance management is pursued.

As detailed, the process of institutionalizing a Performance Management System and culture must be understood within the following context:

- The IDP represents a five year plan for the municipality based on input from the community, political arena, and input from officials, whilst taking into account available infrastructure and resources. The intention is to ensure appropriate planning, infrastructure, and resource provision which in turn will ensure that the needs of the community are taken into account and will be addressed in so far as is possible.
- This 5 year plan is translated into an annual plan or the Institutional Scorecard which details specific IDP objectives that are required to be achieved over a one year period. This Institutional Scorecard is informed by the IDP goals and objectives as translated during annual strategic planning sessions with senior management into a one year plan. These strategic plans are then translated into SDBIP'S (Service Delivery Budget Implementation Plans) which reflect reasonably accurate measures of departmental goals and objectives whilst taking into account the requirements of the IDP and the resources available (so as to enable the implementation and achievement of these goals). These objectives will in turn inform the content of both the scorecard at institutional and individual level.

It is critical that there is alignment between the IDP, the Institutional Scorecard and the Budget and therefore also between these and the strategic plans, SDBIPS and Performance Scorecards of staff.

- These SDBIPS in turn inform the Performance Scorecards of each manager and staff member and in turn are translated further down ---at each level depicting the operational goals and objectives as they link in to the strategic plan.

- As the annual plans move from higher to lower levels throughout the organization, the same strategic objectives are translated into: Departmental Scorecards; Section Scorecards and Individual Performance Management Scorecards.
- The approved Performance Management System as applied will provide the necessary structure and uniformity of action, and will provide the measurement tools applicable to ensure that desired outcomes and objectives are achieved whilst providing necessary levels of support and development to all.

2. INTEGRATED PERFORMANCE MANAGEMENT

Integrated performance management requires that the phases of Planning and Implementation be conducted at both the Institutional and the Employee levels and this will be explained more thoroughly in the detail which follows:

2.1. INSTITUTIONAL PERFORMANCE MANAGEMENT

STEPS IN PLANNING (INSTITUTIONAL):

At the institutional level The Municipal Planning and Performance Management Regulations set out in detail, the requirements for the Municipal Performance Management Systems. The Regulations state that any PMS must entail a Framework that describes and represents how the municipality's cycle and process of performance management (including measurement, review, reporting and improvement) will be conducted. The system used must also comply with the requirements of the Systems Act, relate to the municipality's employee performance management processes, and be linked to the municipality's IDP.

In terms of the Regulations a municipality must:

- Set key performance indicators (KPI's) including input, output and outcome indicators in consultation with communities ;
- Annually review its KPI's;
- For each financial year set performance targets;
- Measure and report on the nationally prescribed KPI's;
- Report on performance to Council at least twice a year;
- As part of its internal audit process audit the results of performance measurement; and

- Annually appoint a performance audit committee in order to assess performance.

In terms of the Municipal Finance Management Act municipalities are required to:

- Annually adopt a Service Delivery and Budget Implementation Plan with service delivery targets and performance indicators. (These are set by each Snr. Manager per department, after consultation with senior staff and evaluation of the budget);
- When considering and approving the annual budget, set measurable performance targets for revenue from each source and for each vote in the budget, and
- Compile an Annual Report, which must amongst others include a municipality's performance report compiled in terms of the Systems Act.

In this regard the PMS Framework and Policy is provided and developed in terms of a formal PMS Process Plan. The process plan sets out the phases and actions steps to be followed in developing and implementing the system.

In order to ensure that justice is done to PMS at an institutional level, the following issues and activities are thoroughly planned prior to the PMS cycle and ongoing moving forward:

- Training all employees to whom the policy is applicable on the practical aspects of Performance management;
- Developing and implementing a Public Participation Plan and structures to facilitate community involvement in inputting into the PMS targets --- through Public Participation initiatives and involvement of the Ward Committees and Councillors;
- Workshopping Councillors and senior management on performance management;
- Setting organizational key performance indicators and targets within the organizations strategic scorecard;
- Setting key performance indicators and targets within Departmental Scorecards;
- Developing and Implementing a Performance Management Framework setting out inter alia how the Municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted and managed;
- Obtaining an approved organizational Performance Management System;

- Ensuring that written performance agreements for the Municipal Manager and all Heads of Departments are signed;
- Developing a Reporting Schedule with accountable personnel in order to ensure that all Institutional Reporting occurs in the manner and within the timeframes required and legislated.

Steps in the Planning Process (Institutional) may be highlighted in the table below:

STEPS IN PLANNING (INSTITUTIONAL)

Step	Activity	Timeframe	Responsible Party
1.	IDP Process Plan and Budget approved	30 August	Mayor
2.	Community Consultation (IDP development/review/ feedback as per Public Participation Plan) in order to develop Key Performance Indicators	• October - December	Mayor(Committees and Consultation Forums)
3.	IDP Review	January	Municipal Manager
4.	Development of Audit Action Plan	January	MM
5.	Draft IDP and Budget adopted by Council	March	Mayor
6.	IDP and Budget Consultation process	April - May	Mayor
7.	IDP and Budget adopted by Council	End May	Speaker
8.	Draft a services delivery and budget implementation plan for the budget year.	Within 14 Days after the approval of the annual budget (June)	Municipal Manager
9.	Signing of Performance Agreements concluded	End July	Mayor
10.	Workshop Councillors, stake holders, management and staff on Performance Management.	30 June – 31 September	Corporate Services
11.	PMS Policy Development and Review.	March	Corporate Services

STEPS IN IMPLEMENTATION (INSTITUTIONAL)

Throughout the formal Institutional Performance Management Cycle measurement and assessment will occur as per the reporting requirements as set by various pieces of legislation and this policy. The Municipal Manager is required to ensure that institutional performance is reported on at least in the following manner (NOTE: The table reflects the most critical issues/reporting. This is not an exhaustive list.):

STEPS IN IMPLEMENTATION (INSTITUTIONAL)

Step	Activity	Timeframe	Responsible Party
1.	Monthly s71 Reports;	Monthly	CFO/MM
2.	Monthly Extended Management Meetings dealing with Departmental Operational reports	Monthly	MM
3.	Quarterly SDBIP/Sec 52(d) Reports;	Quarterly	MM + all Snr. Managers
4.	Monthly Budget Variance Reporting;	Monthly	MM + all Snr. Managers
5.	PMS Reports to Council	Twice per year (December and June)	MM + all Snr. Managers
6.	Mid – year Performance Report tabled to Council together with Audit Action Plan	25 January	Mayor
7.	Annual Report tabled to Council	31 January	Mayor
8.	Annual Report taken or made available to Communities		
9.	Council considers Oversight report	31 March	Speaker

In this manner there is ongoing evaluation of organizational performance and this links directly to the performance of employees. All is informed by the needs identified within the IDP as translated into the institutional scorecard, SDBIP's and employee Scorecards.

2.2 INDIVIDUAL / EMPLOYEE PERFORMANCE MANAGEMENT

At the individual level this process is best explained by examining the Employee Performance Cycle. This involves 4 key areas or phases during the annual performance cycle which extend from 1 July to 30 June annually.

This is explained in terms of Fig. 2 below:

FIGURE 2: EMPLOYEE PERFORMANCE CYCLE PHASES



2.2.1 PHASE 1: PLANNING (APRIL /MAY / JUNE)

- Each s56 Manager is required to enter into a negotiated fixed term contract which turns into what is referred to as a performance agreement. This is signed annually and effective from 1 July or from date of employment (if appointment is at a later date);
- Performance Scorecards are developed for all staff (as per the roll-out plan) after extensive discussion between the incumbent and their immediate manager / supervisor. These scorecards are based on the departmental SDBIP and Budget and are therefore aligned to these two documents;
- Each scorecard is made up of Key Performance Areas (80% of the scorecard weighting) and Core Management Competencies (20% of the scorecard weighting);

- Scorecards are written as per the five National Key Performance Indicators and are written as per the following corresponding Key Performance Areas. These are reflected as:

Municipal Transformation and Institutional Development

This refers to the manner in which the institution is capacitated to conduct its affairs with required levels of conformance. The following issues are required to be reported on:

- Capacitation of officials at an administrative and political level. Human Resource development and management is examined;
- The manner in which the organization is structured in order to meet the needs of the IDP;
- The manner in which the organization is held accountable to the public via the required performance management system; and
- The manner in which all internal policies and processes facilitate day to day functioning and administration and address aspects such as gender, equity, disability and general management.

Financial Management and Viability

The organization is required to operate strictly in accordance with the MFMA and standard accounting and financial management practices. More specifically it is required that the organization:

- Comprise policies and processes relating to revenue generation, debt and credit management as well as assets and liability control and auditing;
- Ensure that all auditing responsibilities and reporting are required to be undertaken and these include the submission of the financial statements to the Auditor-General (AG) as well as the findings of the AG on the municipal affairs of this organization; and
- Ensure that there is compliance with the Municipal Financial Management Act and the Service Delivery and Budget Implementation Plan.

Service Delivery

This KPA applies to all service delivery related activities and functions such as: basic water, sanitation, electricity, refuse and roads. It is also required to include issues relating to social infrastructure, such as: housing, health, education, welfare and cemeteries.

Local Economic Development

LED relates to all activities and functions that promote economic development and alleviate poverty. These may include:

- Economic Development and poverty alleviation strategies and awareness programmes;
- Social infrastructure and social programmes such as HIV/AIDS, ABET and the like;
- Efforts to stimulate the economy; and
- Poverty alleviation activities.

Good Governance & Public Participation

All aspects relating to organizational and administrative governance and all aspects of public participation are considered. More specifically this includes:

- The manner in which local government aligns and integrates with the provincial and national spheres of government on cross cutting issues;
 - Activities that indicate all levels of community consultation and participation;
 - Functionality of Ward Committees and Community Development Workers; and
 - The involvement of Traditional Councils in municipal affairs.
- Each KPA is weighted according to the importance and amount of emphasis within that particular department and position (providing that the total number of weights for KPA's adds up to 80% in the case of staff having management / supervisory responsibilities). Where this is not the case (as with lower levels) performance will only be based on the KPA's and these will then reflect a total of 100%;
 - Core Management Competencies are established for all s56 managers and this will reflect as the remaining 20% on the scorecard. Three compulsory CMC's as per the Performance Regulations are required to be reflected and these appear as follows:
 - Financial Management (the manner in which financial liquidity is facilitated and administrative actions involved);
 - People Management and Empowerment (the manner in which management, staff and stakeholders are capacitated and empowered); and

- Client Orientation and Customer Focus (all efforts centred on promoting and facilitating good client relations and customer focus – both internal and external).

A maximum of 3 other CMC's/COC's (Core Management Competencies/Core Occupational Categories) relevant to the managers area of functioning are to be selected from the list provided within the Regulations and included in the Performance Agreement template. These must be chosen according to the appropriateness of the position and its functions. A maximum of 6 CMC's/COC's in total are therefore required to be reflected as the 20% allocation of total scorecard weight;

- Targets of performance as reflected on the scorecard must be developed according to the SMART principle:

S – Simple to understand

M – Measurable (quantifiable in qualitative or quantitative form)

A – Achievable

R – Realistic

T – Time bound (timeframes are specified)

It is important that both the manager and incumbent agree to these targets although it is understood that the authority of the manager will stand pending the results of formal dispute resolution;

- **Inclusion of General Indicators**

The Municipal Planning and Performance Regulations of 2001 require that the following general indicators are included within all performance scorecards:

- % households with access to basic levels of water, sanitation, electricity and solid waste removal;
- % households earning less than R1100 per month with access to free basic services;
- % capital budget spent on capital projects as identified as per IDP;
- Number of jobs created through LED initiatives (including capital projects);
- Number of people from Employment Equity target employed at the three highest levels of management as per approved EE Plan.

As re-enforcement of these, the following general key performance indicators are prescribed in terms of section 43 of the Municipal Systems Act, 2000. These indicators must appear on the Organisational Scorecard in addition to all the KPI's which have been set by the Municipality.

- 1 The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
 2. The percentage of households earning less than R1 100 per month with access to free basic services
 3. The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's IDP.
 4. The number of jobs created through the municipality's local economic development initiatives including capital projects.
 5. The number of people from employment equity targets groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan.
 6. The percentage of a municipality's budget actually spent on implementing its workplace skill plan.
 7. Financial viability as expressed (refer regulation (10)(g))
- When setting required targets, the following issues must be formally included and/or addressed:
 - The key priorities and objectives within the IDP (which have been determined by public participation process at ward committee meetings);
 - The activities and processes identified in the IDP for achieving the developmental objectives as well as the identified resources;
 - Data that shows measurement of the targets;
 - Measurement tools to measure actual performance against the targets are available;
 - Ensuring that targets are developed to establish required measuring tools where these are not currently available;
 - Ensuring appropriate timeframes for the implementation of measurement tools; and
 - Ensuring that the responsibility for meeting the target is attached to the appropriate person;
 - Both the employer and employee (at all levels) must sign acceptance of the scorecard, indicating that they understand the performance targets and what is required of them in terms of required performance;

- Based on agreed scorecards, the manager and subordinate will spend time discussing challenges towards meeting required targets and objectives and will assess the degree to which the subordinate is required to be exposed to development/ capacitation exercises. Skills and knowledge gaps are identified and highlighted within the Personal Development Plans and this PDP will be established for each employee as per the roll-out plan;
- Based on issues identified within the PDP discussion it is determined what types of interventions may be required. The supervisor and employee should determine the skills and knowledge requirements of the agreed upon deliverables/outputs of the performance agreement, match it against the competencies of the employee and determine the skills gap. Suitable development opportunities to enhance the capacity of the employee should then be determined, whether these relate to formal training programmes or courses, self-study, mentoring, coaching or on-the-job training. The PDP should therefore reflect the competencies to be developed, the development opportunity as well as the time frames linked to the development plan. This should form part and parcel of the performance agreements; and
- The Corporate Services Manager should facilitate the consolidation of all the employees' PDPs' and utilize this information to develop and inform the development and submission of the Workplace Skills Plan for the Municipality annually.

2.2.2. PHASE 2: COACHING (SEPTEMBER AND MARCH)

Coaching occurs formally during September and March. During this time the manager and immediate subordinate sit together and discuss the challenges and successes appropriate to current performance targets. The manager provides appropriate feedback (praise and assistance where required) and through feedback and coaching discussion takes place around the manner in which to effectively manage and improve performance. Coaching can take the form of formal training/on-the-job instruction but may also occur day-to-day in the form of advice and feedback.

Every effort must be made to facilitate the successful achievement of the targets. All efforts are documented as action plans and progress reported on at agreed upon dates and intervals. Action Plan Templates are to be utilized for this purpose.

2.2.3. PHASE 3: REVIEWING AND ASSESSMENT (DECEMBER AND FOLLOWING FINAL APPROVAL OF THE ANNUAL REPORT)

Formal review and assessment of performance occurs during December and following the final approval of the Annual Report for the period in question. In essence the process of review and assessment follows an identical process although the first assessment is referred to as the First Review (assessing the first 6 months) and the second is referred to as the Final Review (which assesses the full 12 months ie. July to June). During the process of review the scorecard is discussed at great length and actual performance is evaluated and assessed as compared with the required target specified on the scorecard for each indicator within each KPA or CMC.

All claims of performance must be validated or proven and as a result, each person assessed is required to produce a Portfolio of Evidence which will detail all supporting documentation. Failure to produce evidence of performance will prevent these areas from being evaluated and will result in a rating of “1” – as the lowest rating possible.

PHASE	ACTIVITIES	WHAT HAPPENS?	TIMEFRAME	RESPONSIBLE PARTY
1. Planning	<ul style="list-style-type: none"> • Signed Performance Agreement/contract • Establish Personal Development Plans (PDP's) • Develop and sign Performance Scorecard (Develop according to SMART principles, aligned to IDP, SDBIP, Budget and National KPI's) <u>Documents required:</u> <ul style="list-style-type: none"> - Performance Agreement/contract - PDP Forms and structured questions - Job descriptions/profiles - Performance Scorecard - References: IDP, SDBIP + Budget 	Both parties sit together, discuss, reach agreement, and sign documents. PDP's detail required trg. / interventions/ resources needed to facilitate ability of staff member to reach required standard.	<ul style="list-style-type: none"> • May/June • May/June • June 	Manager + subordinate

PHASE	ACTIVITIES	WHAT HAPPENS?	TIMEFRAME	RESPONSIBLE PARTY
2. Coaching	<ul style="list-style-type: none"> - Documented coaching session - Signed Action Plan - Documented follow up reports <u>Documents required:</u> <ul style="list-style-type: none"> - Performance Scorecard - Action Plan - Follow up meeting notes - Evidence Portfolios - Day to day instruction - Training records, etcetera 	Both parties discuss work to date against required targets on scorecard. Problems and challenges are highlighted and appropriate action detailed on action plan + timeframes. Follow up meetings created to view + manage progress.	<ul style="list-style-type: none"> • September • March 	Manager (with subordinate)

3. Reviewing	<ul style="list-style-type: none"> • First Review (signed) • Final Review (signed) <p><u>Documents required:</u></p> <ul style="list-style-type: none"> - Performance Scorecard - Action Plan - Follow up meeting notes - Review Forms (scorecard) - Evidence Portfolios - Scoresheet and Consolidated Scoresheet 	<ul style="list-style-type: none"> • First Review is between subordinate (self-score) and Manager. Discussion and assessment around achievements. Agreement sought re-scores. • Final Review requires consolidated panel score as per policy. 	<ul style="list-style-type: none"> • December • April following approval of AR for July/June period. 	Manager, subordinate,
4. Rewarding	<ul style="list-style-type: none"> • Submission of results to Corporate Services Snr. Manager for processing • Award as per policy and results 	<ul style="list-style-type: none"> • Results audited by Audit Committee • Results read together with policy and reward applied as per policy 	<ul style="list-style-type: none"> • June (applicable for June but only conducted after Final Annual Report tabled and approved) 	Senior Manager: Corporate Services Panelists Audit Committee
<p>NOTE: Reporting for all PMS Phases facilitated by Corporate Services Manager.</p> <p>PERFORMANCE MANAGEMENT IS A PROCESS (DAY TO DAY), NOT A ONE TIME EVENT!</p>				

2.2.4. Phase 4: REWARDING (CONDUCTED FOLLOWING THE APPROVAL OF THE ANNUAL REPORT)

Any reward awarded is based on the final assessment results relating to the annual period that is under assessment. Depending on the currently approved Policy, and the level of performance achieved, it will be determined whether the employee is entitled to receive a reward or not. Note: There is a direct link between performance (as per the final assessment and review) and reward. It must be noted that in most instances the final review takes place after the Annual Report has been approved. In this manner it is ensured that all claims to performance are validated and can therefore be acted on (audited financial statements and Annual Report). In both cases of review an assessment panel is appointed in terms of policy and the Performance Regulations. Performance is assessed as follows:

Formal Review and Assessment (Process and Bonus Awards)

Level	Terminology	Description
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the employee has achieved above the 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	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicate 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.
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review / assessment indicate 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.

As per the Regulations, performance will be assessed in terms of the level descriptors below. During the first review (December) the manager will assess the subordinates performance by using a rating scale of 1 to 5 and rate each indicator according to the appropriate description levelled below. Similarly the subordinate will conduct a self-assessment. When meeting, both parties will attempt to reach agreement on the ratings. Where no agreement is reached as to the final score the decision will be made by the next higher level of authority (as per the dispute resolution mechanism).

The results of the assessment will guide the manager and subordinate to take appropriate steps to improve performance ongoing. During the final assessment (for the period 1 July to 30 June), performance will also be rated according to these level descriptors. Each panellist's score will be taken into account and the total score averaged in order to obtain a final score on a consolidated scoresheet.

Performance Assessment Panel (for s56 managers)

As per the Performance Management Regulations, the minimum requirements of the evaluation panels will be as follows:

EVALUATION OF THE MM	EVALUATION OF MANAGERS ACCOUNTABLE TO THE MM	EVALUATION OF MIDDLE MANAGER
Mayor	MM	All Senior Manager
Chairperson of the audit committee	Chairperson of the audit committee	
Executive Committee member	Executive Committee member	
Mayor or MM from another municipality	MM/Senior Manager from another municipality	
Ward committee member nominated by Mayor	Senior Manager Corporate Services	
Senior Manager Corporate Services		

For staff lower than the s56 managers, a panel will be constituted by the MM. Performance assessment will form the basis of rewarding outstanding performance and correcting unacceptable performance.

Rating and Scoring

The rating is used to determine the actual score from the total possible score for each output. It is calculated as follows:

EXAMPLE: KPI: 1 is weighted a 5. This means that a maximum score of 5 may be awarded to this output.

If the employee “meets the standard” for Output no.1 a rating of 3 is awarded.

How to turn the weighting and rating into a meaningful score

A rating of 3 may be reflected as a rating of 3/5 because the employee was rated a “3” out of a possible rating of “5”. Due to the weight of “5” having been allocated to KPI 1 we know the highest score possible is a score of 5 for output 1. This employee scored a rating of “3” out of a possible “5” but this must now be translated into an actual score out of 5.

By using a simple calculation the following score for Output 1 is achieved:

$$3 / 5 \times 5 = 3.00$$

This amounts to an actual score of 3.00 for that Key Performance Indicator.

Payment of Performance Bonuses / Merit Awards

These calculations occur throughout all KPI's for each KPA and for the CMC's. Finally all scores are added together and a final total score obtained for the employee.

Performance Bonuses or merits are awarded in terms of the policy in this regard. Reference must be made to the current version of the attached Performance Management Policy which provides specific detail in respect of this.

All final Review Assessment Results will be verified by the Performance Audit Committee.

NOTE: No bonus may be paid prior to the approval of the Annual Report for the year in question which in turn will validate all the performance achievements and allow recognition based on that.

2.3. Dispute Resolution

Disputes for s56 staff (and reporting managers)

All disputes for s56 staff will be handled in terms of the Dispute Resolution Procedure for s56 managers as attached within the Performance Management Resolutions document. Accordingly the following points apply:

- 2.3.1. In the case of the MM, the MEC for local government in the province or any other designated person for this purpose by the MEC, is required to provide a final outcome within 30 days of a formal dispute having been lodged by the MM; and
- 2.3.2. In the case of any other s56 managers / managers reporting to the MM, the dispute is to be mediated by a member of Council (providing they did not form part of the assessment panel) within 30 days of a formal dispute having been lodged.

Disputes for Middle Managers

2.3.4. In the case of other staff disputes lodged must be mediated within 30 days, and the following procedure followed:

- The Supervisor or Manager of the aggrieved employee (emanating from a dispute in terms of the Performance Management System) , should in the first place attempt to resolve the dispute;
- In the case that a deadlock at that level occurs, the supervisor/manager on the next level should intervene and strive to resolve the dispute;
- All unresolved disputes emanating from the PMS should be referred to the Performance Management Committee with full written motivation by the aggrieved employee;
- The PMC should initiate an investigation or recommend appropriate action; and
- Only after this process has been followed, the Appeals Procedure of Article 62 of the Municipal Systems Act,2000 will be invoked.

All such decisions will be considered binding.

3. Performance Auditing

As per Regulation 14(1) it is noted that:

- (a) A municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes;
- (b) Any auditing in terms of paragraph (a) must include assessments of the following:
 - (i) The functionality of the municipality's performance management system;
 - (ii) Whether the municipality's performance management system complies with the Act; and
 - (iii) The extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10;
- (c) A municipality's internal auditors must –
 - (i) on a continuous basis audit the performance measurements of the municipality; and

- (ii) submit quarterly reports on their audits to the municipal manager and the performance audit committee referred to in sub regulation (2).

S45 of the MFMA requires that performance measures must be audited by the internal audit and annually as per the Auditor General;

As per the Municipal Planning & Performance Management Regulations: the Internal Audit section must audit as per the following:

- (i) assess functionality of the PMS system as per framework;
- (ii) assess PMS compliance with framework;
- (iii) assess the extent to which the municipalities performance measurements are reliable. This is required together with the provision of an information management system.

NOTE: Quarterly reporting required in terms of audits. These are to be submitted to the Municipal Manager & Audit Committee.

Role of Internal Audit

The role of the Internal Audit may be summarized as follows:

- Assessing the functionality of the PMS;
- Ensuring that the PMS system complies with the Act;
- Determining whether the performance measurements are reliable in measuring performance;
- Continuously auditing the performance measurements of the municipality;
- Annually auditing the results of performance measurement; and
- Submitting quarterly reports on the audits to the municipal manager and the performance audit committee.

Establishment of the Performance Audit Committee

Regulation 14 of the Municipal Planning and Performance Regulations, 2001, provides the following direction on the establishment and functioning of Performance Audit Committees.

- The Performance Audit Committee is required to comprise of a minimum of three (3) members, of which the majority may not be directly involved in the municipality's affairs. (i.e. not an official or councillor);
- At least one (1) member must have experience in performance management;
- The performance audit committee must meet at least twice during the financial year;
- The committee must review the quarterly reports, review the performance management system and make recommendations to council.

Role of the Audit Committee

This may be defined as follows:

- They are required to meet at least twice during the financial year;
- Required to review quarterly reports;
- Required to review the municipality's performance management system and make recommendations to council; and
- Submit an audit report to council at least twice during the financial year.

Role of the Auditor General

The role of the Auditor General may be defined as that of external auditor --- ensuring that all reporting and the applications of systems and controls are conducted in the manner prescribed.

Role of MPAC (Municipal Public Accounts Committee)

It is required that MPAC:

- Provide financial oversight;
- Interrogate the information contained within the Annual Report as against the prescriptions of what is required to be;
- Detail areas that accurately account for performance and highlight areas for remedial action;
- Approve/approve with reservation/ or not approve the Annual Report, with detailed comments in this regard.