

**22/5 PERFORMANCE MANAGEMENT POLICY FRAMEWORK****DATE : 21/05/2012****AGENDA : COUNCIL MEETING: 30/05/2012**

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**REPORT : DIRECTOR CORPORATE SERVICES****PURPOSE**

The purpose of this document is to review and update the current framework adopted in 2004, with a view to aligning it with current legislative and policy framework. In reviewing the 2004 Policy Framework, efforts have been made to reflect the changes that have occurred in local government through the introduction of the 5 Year Local Government Strategic Agenda and the five Key Performance Areas that now inform the Revised Municipal Scorecard Model.

This document will therefore incorporate recently promulgated legislation and policies, currently and an updated version of the Municipal Scorecard Model and the 5 perspectives, different levels of scorecards and the relationship of these levels, roles and responsibilities of different stakeholders. The revised Policy Framework will also reflect the linkages between the Integrated Development Plan (IDP), the Budget, the Service Delivery and Budget Implementation Plan (SDBIP) and the Performance Management System (PMS) of the municipality. As required by the Municipal Systems Act, 2000 and the Planning and Performance Management Regulations, 2001.

**BACKGROUND**

The Municipal Systems Act (MSA) of 2000 mandates municipalities to establish a performance management system, and the Planning and Performance Management Regulations of 2001 outlines the municipality's performance management system. The Municipal Finance Management Act of 2003 (MFMA) require that the 5-year strategy of a municipality, the Integrated Development Plan (IDP), must be aligned to the municipal budget and must be monitored for the implementation of the IDP against the budget via the annual Service Delivery and Budget Implementation Plan (SDBIP).

**LEGAL IMPLICATION**

To comply with Municipal System Act No.32 of 2000 chapter 6, Municipal Planning and Performance Management Regulations of 2001, circular 13 of National treasury and Municipal Finance Management Act No.56 of 2003.

**FINANCIAL IMPLICATIONS**

Payment of performance bonuses

**STAFF IMPLICATION**

None

**PARTIES CONSULTED**

Management

**RECOMMENDATION**

1. That council approve the Performance Management Policy Framework document as a guiding document for Setsoto Local Municipality.

**(FOR RECOMMENDATION TO COUNCIL)**

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**Minutes : Exco Meeting : 22/05/2012**

Cllr Lithebe proposed that the matter be recommended to Council as follows and was seconded by Cllr Koalane.

**RECOMMENDED:**

1. That council approve the Performance Management Policy Framework document as a guiding document for Setsoto Local Municipality.
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**Minutes Council Meeting: 30/05/2012**

Cllr Lithebe proposed that the matter be resolved as follows and was seconded by Cllr Selasi.

**RESOLVED:**

1. That council approve the Performance Management Policy Framework document as a guiding document for Setsoto Local Municipality.
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# Performance Management Policy Framework (Revised vision 2012)

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## 1 Introduction

Performance management is a process which measures the implementation of an organization's strategy. At the local government level, this has become an imperative, with economic development, transformation, governance, financial viability and service delivery being the key performance areas in terms of the Local Government Developmental Agenda. Performance management provides the mechanism to measure whether targets to meet its strategic objectives that are set by municipalities and its employees, are met. National government has also found it necessary to institutionalize and provide legislation on the performance management process for local government.

The Municipal Systems Act (MSA) of 2000 mandates municipalities to establish a performance management system, and the Planning and Performance Management Regulations of 2001 outlines the municipality's performance management system. The Municipal Finance Management Act of 2003 (MFMA) require that the 5-year strategy of a municipality, the Integrated Development Plan (IDP), must be aligned to the municipal budget and must be monitored for the implementation of the IDP against the budget via the annual Service Delivery and Budget Implementation Plan (SDBIP).

The purpose of this document is to review and update the current framework adopted in 2004, with a view to aligning it with current legislative and policy framework. In reviewing the 2004 Policy Framework, efforts have been made to reflect the changes that have occurred in local government through the introduction of the 5 Year Local Government Strategic Agenda and the five Key Performance Areas that now inform the Revised Municipal Scorecard Model.

This document will therefore incorporate recently promulgated legislation and policies, currently and an updated version of the Municipal Scorecard Model and the 5 perspectives, different levels of scorecards and the relationship of these levels, roles and responsibilities of different stakeholders. The revised Policy Framework will also reflect the linkages between the Integrated Development Plan (IDP), the Budget, the Service Delivery and Budget Implementation Plan (SDBIP) and the Performance Management System (PMS) of the municipality. As required by the Municipal Systems Act, 2000 and the Planning and Performance Management Regulations, 2001.

This revised Policy Framework sets out:

- o The objectives and benefits of the performance management system;
- o The principles that will inform the development and implementation of the system;
- o A preferred performance model that describes what areas of performance will be measured by the municipality;
- o The process by which the system will be managed;
- o The roles and responsibilities of different stakeholders; and
- o The process of managing employee performance

## 2 Rationale for Performance Management

### 2.1 Policy and Legal Framework

Legislative enactments which govern performance management in municipalities are found in the Batho Pele Principles; the White Paper on Local Government; Municipal Systems Act, 2000; Municipal Planning and Performance Management Regulations, 2001; Municipal Finance Management Act 2003; Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006; the Framework on Managing Performance Information and lastly the Directive on Performance Information of the Public Audit Act, 2004 published under Notice 646 of 2007.

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

- The Municipal Systems Act No. 32 of 2000
- The Municipal Planning and Performance Management Regulations of 2001
- The Municipal Finance Management Act No. 56 of 2003; and
- The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers of 2006.

Summaries of the provisions relating to organisational performance management are therefore set out hereunder.

#### A. The Municipal Systems Act , 32 of 2000

Chapter 6 of the Municipal Systems Act (2000) provides briefly that a municipality must

- Develop a performance management system (PMS);
- Promote a performance culture;
- Administer its affairs in an economical, effective, efficient and accountable manner;
- Set Key Performance Indicators (KPI's) as a yardstick for measuring performance;
- Set targets to monitor and review the performance of the municipality based on indicators linked to their IDP;
- Monitor and review performance at least once per year;
- Take steps to improve performance;
- Report on performance to relevant stakeholders;
- Publish an annual performance report on performance of the municipality forming part of its annual report as per the provisions of the Municipal Finance Management Act of 2003;

- Incorporate and report on a set of general (sometimes also referred to as national) indicators prescribed by the national Minister of Provincial and Local Government;
- Conduct an internal audit of all performance measures on a continuous basis;
- Have their annual performance report audited by the Auditor-General; and
- Involve the community in setting indicators and targets and in reviewing municipal performance.

Sections 55 to 58 of the Municipal Systems Act further outline the provisions on the employment and functions of the Municipal Manager and Managers directly accountable to the Municipal Manager.

### **B. The Municipal Planning and Performance Management Regulations of 2001**

In summary the Regulations provide that a municipality's Performance Management System 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;
- Comply with the requirements of the Municipal Systems Act;
- Relate to the municipality's employee performance management processes and be linked to the municipality's IDP ; and that:
- A municipality must:
  - Set key performance indicators (KPI's) including input, output and outcome indicators in consultation with communities;
  - Annually review its Key Performance Indicators;
  - Set performance targets for each financial year;
  - Measure and report on the nine 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;
  - Appoint a performance audit committee; and
  - Provide secretarial support to the said audit committee.

### **C. The Municipal Finance Management Act, 56 of 2003 (MFMA)**

The Municipal Finance Management Act also contains various important provisions relating to performance management. In terms of the Act all municipalities must:

- Annually adopt a service delivery and budget implementation plan with service delivery targets and performance indicators;

- When considering and approving the annual budget, set measurable performance targets for revenue from each source and for each vote in the budget;
- Empower the Mayor or Executive Committee to approve the Service Delivery and Budget Implementation Plan and the Performance Agreements of the Municipal Managers and the Managers directly accountable to the Municipal Manager; and
- Compile an annual report, which must, amongst others things, include the municipality's performance report compiled in terms of the Municipal Systems Act.

**D. The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers of 2006.**

This legislation regulates the management of the Section 57 employees of a municipality by providing an outline of employment contracts, performance agreements, performance plans, employee development and empowerment measures and performance evaluation processes. These regulations further provide criteria for performance assessment and the 5-point rating upon which performance of an individual need to be scored during the assessment and evaluation.

**2.2 Objectives of Performance Management**

The objectives of institutionalizing performance management are beyond the legislative compliance requirements. The general objectives of managing performance are to:

- facilitate increased accountability;
- facilitate learning and improvement;
- provide early warning signals; and
- facilitate decision-making processes
- To serve as a primary mechanism to monitor, review and improve the implementation of the setsoto municipality's IDP.

**2.3 Principles that will Guide the Development and Implementation of the Performance Management System**

In developing the system, the municipality will be guided by the following principles:

- A. Both development and implementation of the system must be driven by top management and council;

- B. The system must place the community at the centre of the local government processes;
- C. The system should not be punitive, but be developmental to provide learning and growth opportunities through the coaching and review processes.
- D. The system must be developed and implemented within the available capacity and resources of the municipality;
- E. The system should align to other municipal initiatives, systems and processes; and

The performance management system will be implemented in such a way that it:

- Is developmental and not punitive in nature as employees will be provided with career opportunities and allowed space to be creative and innovative in improving their performance;
- Provides a clear and detailed framework for:
  - Agreement on performance contracts;
  - Clear key performance indicators, targets and standards which are agreed upon;
  - A balance between organizational needs and employee rights;
- Provides clear linkages between performance and recognition and reward;
- Provides a clear guide on dealing with poor or non performance.

### **3 The Setsoto Municipality Performance Management (PMS) Model**

#### **3.1 What is a Performance Measurement Model?**

Performance management is defined as a strategic process to management (or system of management), which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets for efficiency, effectiveness and impact. As a conceptual framework, performance management provides an understanding of the processes and complexities of policy and policy implementation, especially the crucial linkage between organisational aspects such as human resources and financial management. It is a choice about what aspects or dimensions of performance will be measured. It implies the grouping together of indicators into logical categories or groups, called **perspectives**, as a means to enhance the ability of an organization to manage and analyze its performance.



### 3.2 The Value of a Performance Measurement Model

The value of performance measurement models can be summarized as follows:

- Models simplify otherwise long lists of indicators by organizing them into perspectives which will sufficiently represent effective performance;
- Models help in aligning the relationship between areas of performance when planning, evaluating and reporting;
- Models help align strategic planning and performance management by directly linking Key Performance Areas to priority areas in the strategic plan.
- Building an own model allows municipalities to agree on what areas of performance should be integrated, managed and measured and what values should inform indicators and standards of achievement.

### 3.3 Criteria of a Good Performance Model

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

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

### 3.4 The Balanced Scorecard Performance Model

The widely used performance model is the Balanced Scorecard. The Balanced Scorecard ensures that there is balance in the set of indicators being compiled. It was developed as a means to measure performance by combining both financial and non-financial indicators to create a balance between financial and other critical functional areas in organizations. By combining financial indicators and non-financial indicators in a single report, the Balanced Scorecard aims to provide managers with richer and more relevant information about the activities that they are managing than is provided by financial indicators alone.

### 3.3 Municipal Scorecard Model

A Municipal Scorecard Model is a balanced scorecard adapted for measuring key performance on developmental areas that are relevant to municipal service delivery and the public sector. This municipal scorecard model groups indicators together under the 5 Year Local Govt Strategic Agenda Key Performance Areas (KPA's). There are five KPA's that municipalities are required to align their strategic planning on and these cut across every functional area of a municipality. The municipal scorecard measures a municipality's performance through these five perspectives:

- a) The Municipal Development Perspective
- b) The Service Delivery Perspective
- c) The Institutional Development Perspective
- d) The Financial Management Perspective, and
- e) Governance Process Perspective

The Setsoto Local Municipality, having adopted the Municipal Scorecard Performance Model, will align this framework to the revised Municipal Scorecard Model and its performance will be grouped under the following 5 perspectives:

#### ***3.6.1 The Municipal Development Perspective***

In this perspective the municipality will assess whether the desired development indicators around the performance area of social and economic development is achieved.

#### ***3.6.2 The Service Delivery Perspective***

This perspective will assess the municipality's performance in the overall delivery of basic and infrastructural services and products.

#### ***3.6.3 The Financial Management Perspective***

This perspective will measure the municipality's performance with respect to the management of its finances.

#### ***3.6.4 The Institutional Development Perspective***

This perspective relates to input indicators that measure the functioning of the municipality under areas such as human resources, strategic planning and implementation, performance management and all other indicators that seek to develop and manage the municipal institution.

#### ***3.6.5 The Governance Process Perspective***

This perspective will measure the municipality's performance in relation to its engagement with its stakeholders in the process of governance, established

and functioning governance structures, and good municipal governance processes. This should also include a certain percentage (20%) of the total scores card as part of putting measures in place and minimising previous years audit findings.

### **3.7 Implementation of the Revised Municipal Scorecard in the Setsoto Local Municipality**

The Setsoto local Municipality, in the 2004 Policy Framework, had adopted a three-level approach of implementing the scorecard. The three levels were:

- The Strategic or Organizational Scorecard Level – reflecting the strategic priorities of the municipality
- The Service Scorecard Level – which captured the municipality's performance in each defined service, provided a comprehensive picture of the performance of a particular service and consisted of objectives, indicators and targets derived from the service plan and service strategies.
- The Municipal Scorecard Level – this was a scorecard meant to reflect strategic priority areas of the municipality, from a district level perspective. However this scorecard was proposed on condition that the municipality and district had clarified their powers and functions and all local municipalities under one district buy into one performance management system.

In reviewing the Policy Framework, a two-level scorecard approach is proposed. The Strategic or Organizational Scorecard will reflect KPA's, objectives, indicators and targets at a strategic level and will align directly with the IDP priorities. This scorecard will follow along the lines of the SDBIP, but will not have the monthly financial cash flow projections and the ward level projects. The second scorecard will be service or departmental scorecards, similar to the one currently used by the municipality. This level of scorecard will reflect objectives, indicators and targets at a departmental level. This scorecard will also inform the individual scorecards of the Section 57 Managers that should be a reflection of lower levels of employees' evaluation reports which will be phased in over a period of time.

The two levels of scorecards will then become the organizational performance management system (PMS) of the Setsoto Local Municipality. All reporting on the municipality's performance will be informed by information derived from the two-level scorecard that reflects the municipality's performance on the five perspectives.

### **3.8 Developing the Organizational Scorecard and Outlining the Scorecard Concepts**

During the IDP process a corporate vision and mission is formulated for the Setsoto Local Municipality, together with broad key performance areas (KPA's), development objectives and key performance indicators (KPI's) that feeds into the vision and mission. It is now necessary to take this process further into the performance management system, by developing an organizational or strategic scorecard that will encompass all the relevant

areas or concepts that will allow measurement of the performance of the organization using this scorecard. This will be done by using relevant concepts to populate the organizational and service scorecards of the Setsoto Local Municipality. This process of developing the organizational and service/departmental scorecards will be followed every year after adoption of the IDP and the budget and after evaluation of the previous year's scorecard or municipal performance. An illustration of the components of an organizational or strategic scorecard is reflected in figure 3 below.

Explanatory notes are in the following paragraphs that expand on each of the component concepts set out in the above illustrative scorecard.

### ***Step 1: Setting out National Key Performance Areas (KPA's)***

Outlining Key Performance Areas is the first step in the performance management process. According to the 5-Year Local Government Strategic Agenda, all municipalities are required to cluster their priority issues identified during the IDP development and review processes around the following KPA's:

- o Service delivery;
- o Local economic development;
- o Institutional transformation;
- o Democracy and governance; and
- o Financial viability.

### ***Step 2: Defining Strategic Focus Areas (SFA's) that fall under each KPA***

In its IDP the Setsoto Local Municipality will cluster the elements within each of the broad KPA's under Strategic Focus Areas.

**An example:** Under the Service Delivery KPA there will be several Strategic Focus Areas such as water and sanitation, electricity, etc.

### ***Step 3: Formulating Appropriate Development Objectives***

As a third step the municipality will design high level objectives per SFA. An objective is a measurable statement of intent, measurable either quantitatively or qualitatively. It's a series of elements of the vision or mission is broken down into manageable quantities.

There is no hard-and-fast rule about how many objectives should be set, but it is important to make it manageable and realistic and it is therefore advisable to limit the number.

**An example:** Under the KPA of *Service Delivery* and the SFA of *Waste Management*, the municipality can formulate an objective that goes along these lines:

*"To provide every dwelling with a weekly door-to-door refuse collection service by July 2012"*

#### *Step 4: Developing Suitable Key Performance Indicators (KPI's)*

As a fourth step it is necessary to determine KPI's, which define what needs to be measured in order to gauge progress towards achieving the objectives discussed in the previous step. KPI's must be measurable, relevant, simple and precise. They simply define how performance will be measured along a scale or dimension (example: "number of houses to be built"). The White Paper on Local Government stresses the need for involving communities, officials and organised labour in the development of KPI's which is done through the IDP process and later refined in the approval thereof together with the budget.

KPI's can also be used to:

- Communicate the achievements and results of the municipality.
- Determine whether a municipality is delivering on its developmental mandate.
- Indicate whether the organisational structure of a municipality is aligned to deliver on its development objectives.
- Promote accountability by the council to its electorate.

#### *Step 5: Indicate the Types of Indicators (KPI's)*

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

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

**Output indicators:** These indicators refer to "products" produced by processing inputs (i.e. the end point of an activity), for example the number of houses built or the number of electricity connections made. Output indicators should only be used for those functions for which the municipality is directly responsible.

**Outcome indicators:** These indicators measure the extent to which strategic goals or outcomes are being met. Outcomes are usually based on the results of different variables acting together (for example increased economic activity as a result of improved water supply). They measure the effect that the goals and objectives are having on the community and they are important diagno

tools. Based on many variables, they tend to lag behind output indicators because they can only be measured after the outputs have been produced. They are also more difficult to measure and are usually influenced by factors external to the municipality's control, so it cannot necessarily be said that a municipality is solely responsible for performance in this regard.

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

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

The seven (7) general KPI's are provided for in Regulation 10 of the 2001 Municipal Planning and Performance Regulations and are listed below:

- a. the percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- b. the percentage of households earning less than R1100 per month with access to free basic services;
- c. the percentage of the municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
- d. the number of jobs created through the municipality's local, economic development initiatives including capital projects;
- e. the number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan;
- f. the percentage of the municipality's budget actually spent on implementing its workplace skills plan; and
- g. the municipality's financial viability as expressed by the ratios for debt coverage, outstanding service debtors to revenue and cost coverage.

***Step 6: Provide Baseline Information for each KPI***

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

### *Step 7: Set Annual Targets for each KPI*

In this step annual performance targets must be set for each identified KPI. Performance targets should comply with the SMART principles (Specific, Measurable, Achievable, Realistic and Time related). It is important to guard against setting too many performance targets. Target dates for the completion of actions should be set in conjunction with those Departments responsible for their achievement. It is important to be realistic in the setting of target. If realistic targets are not set the municipality will create false expectations and also set its employees up for failure.

### *Step 8: Outline Quarterly Targets*

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

### *Step 9: Allocating Responsibility*

It is also necessary to decide who takes responsibility for what actions. In the case of the organisational scorecard responsibility would be allocated to a Department. In regard to departmental and other lower echelon scorecards, a name must be placed alongside each action described above. This is also a way of cascading the responsibility from the strategic level down to the operational level and from the organisational goals right down to individual employee performance. In this way individual employees can also see exactly what their roles are in achieving the strategic objectives.

### *Step 10: Deciding on Frequency of Reporting*

In this column the frequency of reporting must be inserted which could be

- ✓ Monthly
- ✓ Quarterly
- ✓ Annually or
- ✓ Bi-Annually

### *Step 11: Indicate the Structure Mandated to Receive Progress Reports*

This step must show the structure that is mandated to play an oversight or executive role or to manage that particular performance area and the structure that will receive the reports on that KPA and SFA.

A template of the Organizational Scorecard with all the above concepts is illustrated below as **Figure 4**.

Figure 4: Organizational Scorecard Template

STRATEGIC FOCUS AREAS (SFA'S)	OBJECTIVES	KEY PERFORMANCE INDICATORS (KPI'S)	TYPE OF KPI	BASE LINE INFO	ANNUAL TARGETS	QUARTERLY TARGETS				RESPONSIBLE DEPARTMENT	FREQUENCY OF REPORTING	RESPONSIBLE STRUCTURE RECEIVING REPORTS
Water services	To improve access to water to households in the informal settlements	1. Unit costs for purchasing water pipes to connect to single households	Input indicator	R10 000	R80 000	R20 000	R20 000	R20 000	R20 000	Infrastructure Dept	Monthly	Section 79 Committee responsible for Service Delivery
		2. No. of households connected in one year	Output indicator	100	1 000 households	250	250	250	250	Infrastructure Dept	Monthly	Section 79 Committee responsible for Service Delivery

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## 4 The Process of Managing Organizational Performance

The Municipal Systems Act (2000) places the responsibility on the Council to adopt a PMS, while holding the Mayor's responsible for the development /implementation management of the system. The Mayor then delegates the responsibility for the development and management of the PMS to the Municipal Manager. The development of the system is a once-off activity and the Municipal Manager submits the system to the Mayor, who in turn forwards it to the full council for approval in the form of the SDBIP. The responsibility of implementation and management of the system remains with the Municipal Manager as part of his/her core functions as provided in Section 55(1) of the Municipal Systems Act of 2000.

### 4.1 Co-ordination

The co-ordination of the implementation phases of the PMS will be the function of the PMS Unit accountable to the municipal manager. PMS unit who will be responsible for the following core activities:

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

## 4.2 Implementing the Performance Management System

Having identified the preferred performance model to be the Revised Municipal Scorecard, and having agreed to measure its performance against the five perspectives, Setsoto Municipality will adopt a process plan for implementing its performance management system. The PMS implementation and management process will be carried out within the following phases:

- Phase 1: Planning for Performance
- Phase 2: Performance Monitoring and Managing Performance Information
- Phase 3: Performance Measurement and Analysis
- Phase 4: Performance Review and Improvement
- Phase 5: Performance Reporting

The cycle of performance that will be adopted is shown in **figure 5** below. Each phase is outlined in detail and this includes the actual step-by-step guide on what each phase entails and how each one will evolve. Templates that will be used in each phase are illustrated figuratively in the document.

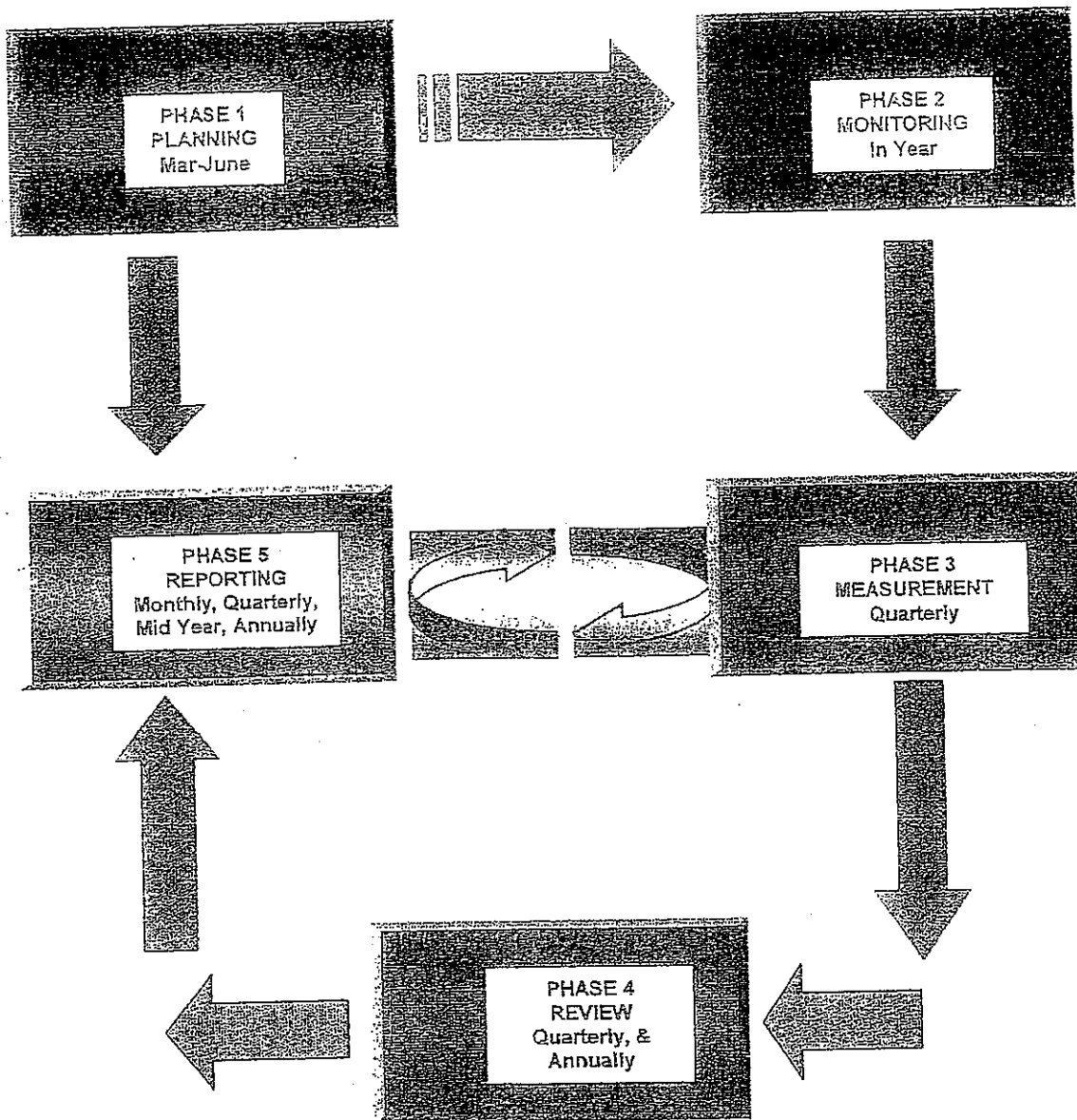


Figure 5: The Performance Management Cycle

### Phase 1: Planning

Planning for performance simply means developing and reviewing the IDP annually in preparation for continuous implementation. Municipal performance planning is part of the IDP strategic planning processes. The IDP process and the performance management process are seamlessly integrated. Integrated development planning fulfils the planning phase of performance management. Performance management fulfils the implementation management, monitoring and evaluation of the IDP process. The performance planning phase will be undertaken in three steps.

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

Integrated development planning, as defined by the Municipal Systems Act, is a process by which municipalities prepare a 5 year strategic plan that is reviewed annually in consultation with communities and stakeholders. This strategic plan adopts an implementation approach and seeks to promote integration. By balancing the economic, ecological and social pillars of sustainability without compromising the institutional capacity required in the implementation and by coordinating actions across sectors and spheres of government. The IDP delivers a number of products that translate to the formulation of the municipal budget, the development of an annual Service Delivery and Budget Implementation Plan and an organizational performance scorecard for the municipality.

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

The above results of the 5 year IDP and the annual reviews result in the development of the Service Delivery and Budget Implementation Plans (SDBIP) on an annual basis. The SDBIP gives effect to the Integrated Development Plan (IDP) and the budget of the municipality and is effective if the IDP and budget are fully aligned with each other, as required by the Municipal Finance Management Act. The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. The SDBIP therefore serves as a "contract" between the administration, council and the community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end of year targets and implementing the budget.

with outsourced service delivery agreements such as municipal entities, public-private partnerships, service contracts

The organizational scorecard of the Setsoto Local Municipality will be laid out in a simple spreadsheet as indicated in **Figure 4** above. The organizational scorecard will be made up of layers of spreadsheets consisting of information on each of the components as stated above within each of the 5 Key Performance Areas (Municipal Transformation and Institutional Development; Good Governance; Local Economic Development; Municipal Financial Viability; and Service Delivery and Infrastructure Development).

The organizational scorecard will inform departmental scorecards and departmental business plans. These in turn will inform the individual scorecards for the Section 57 Managers and other employees. Drafting of these scorecards should happen simultaneously with the other documents, and submitted to the Mayor for approval and submission to the full council.

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

Upon approval of all the strategic documents, the Mayor and the Municipal Manager must sign the Municipal Manager's Performance Agreement before 31 July of every year. The Municipal Manager must do the same and sign Performance Agreements with all the Managers directly accountable to him/her before 31 July of every year. These agreements will be discussed in detail below under employee performance management.

The Mayor will also publicize the SDBIP, the organizational scorecard and the Municipal Manager's Performance Agreement as per the provisions of Section 53(3) of the Municipal Finance Management Act.

The Setsoto Local Municipality will use the following publicity platforms to publicize the above documents:

- The municipal website whose address is: [www.setsoto.co.za](http://www.setsoto.co.za)
- Local newspapers

The Mayor will also submit copies of the SDBIP, the Organizational Scorecard and all the Section 57 Managers to the MEC for Local Government in the Free State province.

The whole planning process for performance management will be done once per year within the months of March to June, in preparation for implementation in the following year, starting in July. By the beginning of a new financial year, all planning will be complete, compliance issues attended to and resources allocated accordingly.

#### **Phase 2: Monitoring**

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

The Setsoto Local Municipality's monitoring system places responsibility on each Department, Division/Section and Individual employee to collect relevant data and information to support the monitoring process. Evidence of performance will be gathered, stored by each department and presented to substantiate claims of meeting (or not meeting) performance standards. This evidence is stored on files (both manual filing and digital filing, where possible). The Heads of the Departments must allocate responsibility in their offices for information management, as these performance information file must be separate from normal registry filing. Even though registry will have

the data and file it as per their filing system, the performance information will be filed according to key performance area and key performance indicators. These files will be regarded as portfolio of evidence and must be kept for purposes of performance measurement, performance review and audit in the other phases.

The roles and responsibilities for monitoring are allocated as follows:

- o **Section Managers** – Each section manager will be responsible for monitoring and reporting on each indicator in their departmental scorecards. They will monitor performance of their direct reports under their functional areas and report as per the indicator that has been set to measure that functional area. This monitoring occurs on a daily basis, with report being submitted to section managers by direct reports on a weekly basis. The section manager is responsible for compiling section reports on each indicator, collect the relevant data related to each project and indicator and facilitate proper storage of the data in files.
- o **Officers** – The Admin Officers in each section has a responsibility for managing indicator information files as per the Setsoto Local monitoring system. They are also responsible for collating this information in preparation for submission of performance reports to Heads of Departments by section managers. This responsibility must be carried out on a weekly basis.
- o **Departments or Directorates and Teams** – The departments will receive reports on progress into the implementation of their departmental scorecards from section managers on a monthly basis. The monthly reports are compiled into bi-monthly reports that are discussed at the Management meetings.
- o **The Management Team** – The management team discuss departmental performance progress on a bi-monthly basis and reflect on whether targets are being met and the reasons for targets not being met and suggest corrective action. The purpose for a performance-driven management team is to instil a culture of collective management and eliminate the silo mentality.
- o **Section 79 Committees** – These committees will monitor performance of their respective departmental against scorecards. They will receive reports on a monthly basis and must appraise themselves on progress on performance of their service areas against set targets. Where targets are not being met, the Section 79 Committees should ensure that the reasons for poor performance are satisfactory and sufficient to address whatever delays, and corrective measures are taken to address the poor performance.
- o **The Mayor**– The Municipal Manager will submit monthly progress reports on all the indicators in the organisational scorecard to the Mayor in order for him/her to monitor if targets are being achieved and where they are not, that proper corrective measures are put in place.
- o **Municipal Council** – Performance reports will be submitted to the council twice a year. A mid-term report and an annual report

A performance monitoring flow chart is illustrated in Figure 6 below.

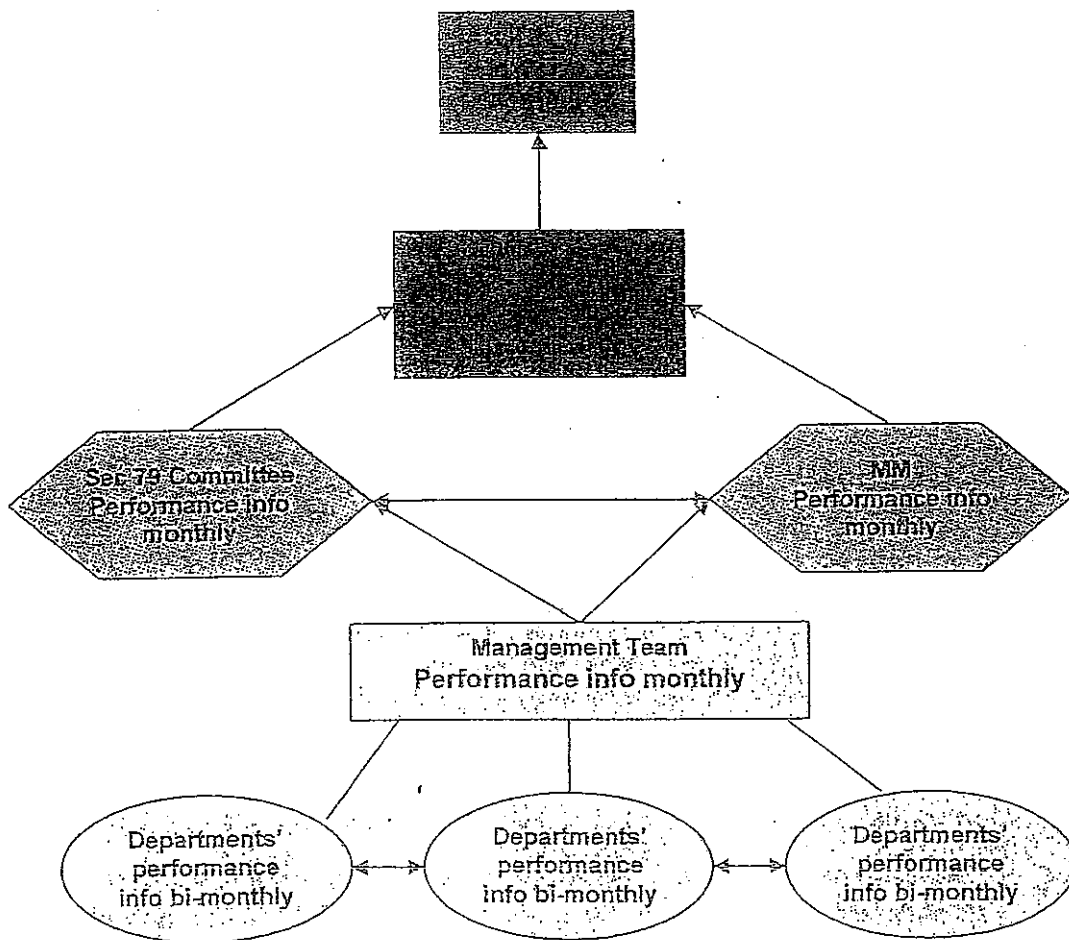


Figure 6: The Setsoto Local Performance Monitoring System

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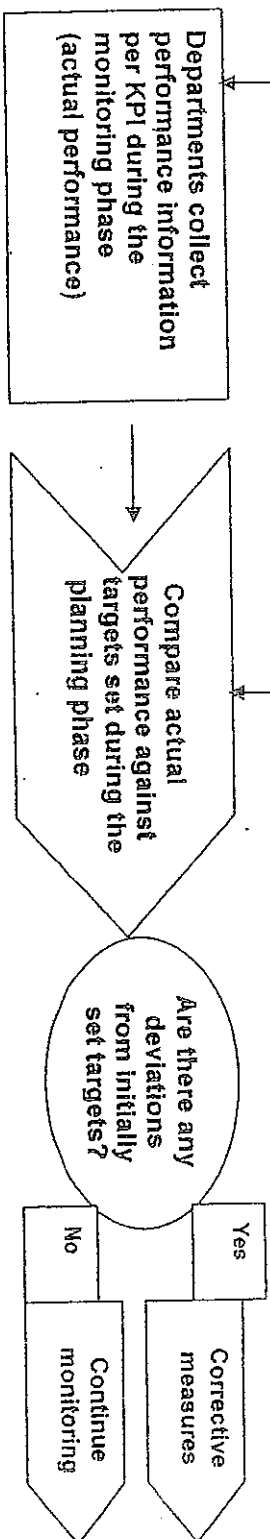
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Figure 7: The link between performance monitoring, analysis and measurement

STRATEGIC FOCUS AREAS	OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	TYPE OF KPI	BASELINE INDICATOR	ANNUAL TARGETS	QUARTERLY TARGETS				RESPONSIBLE DEPARTMENT	FREQUENCY OF REPORTING	RESPONSIBLE POLITICAL STRUCTURE
						Q1	Q2	Q3	Q4			
Water services	To improve access to water to households in the informal settlements	1. Unit costs for purchasing water pipes to connect to single households 2. No. of households connected in one year	Input or output indicator	R10 000	R80 000	R20 000	R20 000	R20 000	R20 000	Infrastructure Dept	Monthly	Section 79 Committee responsible for Service Delivery



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Figure 8: The Performance Reporting Template for the Setsoto Local Municipality

		REPORTING PERIOD									
		INFRASTRUCTURE DEPARTMENT (where it is a departmental report)									
		KEY PERFORMANCE AREA: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT									
STRATEGIC FOCUS AREA	OBJECTIVE	KPI'S	TYPE OF KPI	SOURCE	FREQUENCY	BASELINE	TARGET FOR THE PERIOD	ACTUAL FOR THE PERIOD	REASONS FOR PERFORMANCE STATUS	RECOMMENDED CORRECTIVE ACTION	
Infrastructure and services	To ensure the provision of adequate basic water and sanitation facilities to nodal and traditional areas according to acceptable (RDP) standards ensuring the reduction in reported cases of diseases	% of households supplied with potable water (in dwelling or stand, standpipes or communal taps at <200 metres, spring water, boreholes or communal water tanks).									
		% of households provided with basic sanitation (Waterborne or VIP toilets) facilities.									

## Who Reports to Whom?

The reporting process will follow the lines of accountability as detailed in the performance monitoring, measurement and review phases above. Reports will be submitted to all different stakeholders using following internal processes as outlined above and through the different political and community stakeholders as required by the Municipal Systems Act, the Municipal Finance Management Act and the Performance Regulations. Reports will be submitted to the following stakeholders during the timelines outlined in the municipality's performance process plan as shown under the **Performance Cycle** section:

- Setsoto Municipal Council reporting to Communities;
- Setsoto Municipal Council reporting to Ward Committees;
- Mayor reporting to Council;
- Municipal Manager reporting to the Mayor and the Executive Committee;
- Heads of Departments reporting to the Municipal Manager, through the Management Team, and to (Portfolio) Standing Committees;
- Section Managers reporting to Heads of Departments; and
- Employees reporting to their section managers and supervisors.

## Tracking and Managing the Reporting Process

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

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

## Publication of Performance Reports

The annual report is required by legislation to be availed to the public. The Setsoto Municipality will, however, within its resources and capacity, keep the communities more frequently informed of performance information through:

- Publication of reports in the municipal website
- Press releases
- Press Briefings
- Publication of pamphlets or newsletters

- Local Radio programmes
- Ward Committee meetings.
- Mayoral Imbizo's

### **Public Feedback Mechanisms**

Public feedback on reported performance will be during IDP review processes, annual customer surveys and through ward committee meetings or Imbizo's.

### **4.3 Auditing Performance and Quality Control**

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

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

After being reviewed by the council, the annual report must then be submitted to the Auditor-General before 31 August of every year, for auditing and be submitted to the MEC for local government in the province for the MEC to complete an annual report of performance of all municipalities in the province, identifying poor performing municipalities and proposing remedial action and submit the provincial report to the national minister. The national minister will then present a consolidated report to parliament.

### **Internal Auditing of Performance Measurements**

#### **I. The Internal Audit Unit of the Setsoto Municipality**

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

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

The Regulations further provides that the 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.

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

## **II. The Performance Audit Committee**

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

- a. review the quarterly reports submitted to it by the Internal Auditors;
- b. review the municipality's performance management system and in doing so, focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the Setsoto municipality in its organizational scorecard are concerned;
- c. make recommendations in this regard to the Setsoto municipal council; and
- d. at least twice during a financial year submit an audit report to the municipal council;
- e. communicate directly with the council, municipal manager or the internal and external auditors of the municipality;
- f. access any municipal records containing information that is needed to perform its duties or exercise its powers;
- g. request any relevant person to attend any of its meetings, and if necessary to provide information requested by the committee; and;
- h. investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

The Setsoto Municipality has appointed its own Performance Audit Committee.

## **Roles and Responsibilities of Different Stakeholders**

As can be noted from the above analysis of each phase in performance management and from the plethora of legislative prescripts governing municipal performance, it is clear that, for the performance management system of Setsoto Municipality to be functional, a number of stakeholders have to be involved. These stakeholders have different roles and responsibilities within each of the performance management phases. The tables below will outline roles and responsibilities of each of the stakeholders in each phase.

**Roles and responsibilities of stakeholders in the operation and management of the PMS**

<b>Roles and Responsibilities of the Municipal Council</b>				
<b>PLANNING</b>	<b>REVIEW</b>	<b>MONITORING ANALYSIS AND MEASUREMENT REPORTING</b>	<b>ASSESSMENT</b>	
<ul style="list-style-type: none"> <li>* Approves KPA's and objectives in the Integrated Development Plan</li> <li>* Approves the PMS policy framework</li> <li>* Assigns the responsibility for the management of the PMS to the Mayor</li> </ul>	<ul style="list-style-type: none"> <li>* Approves the annual review programme of the IDP</li> <li>* Approves the SDBIP</li> <li>* Approves changes to the SDBIP and budget adjustment</li> <li>* Approves any changes to the priorities, objectives, key performance indicators and performance targets of the municipality</li> <li>* Consider the oversight reports from the oversight committees, such as the Performance Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>* Receives externally audited performance reports from the Mayor twice a year</li> <li>* Reports on the municipal performance to the community at least twice a year</li> <li>* Approves recommendations for the improvement of the performance management system</li> <li>* Annually receives the appraisal of the Municipal Manager and Section 57 Managers' performance</li> <li>* Receives performance audit reports from the Auditor-General and approves implementation of its recommendations</li> <li>* Submits the municipal annual report to the Auditor General and the MEC</li> </ul>	<ul style="list-style-type: none"> <li>* Assess and approves the municipal annual audit plan and any substantial changes to it</li> <li>* Receive performance reports directly from the Audit Committee</li> <li>* Assess and approves the recommendations of the Performance Audit Committee with regard to improvement in the performance of the municipality or improvement of the performance management system itself</li> <li>* Assess reports of the Auditor-General</li> </ul>	

**Roles and Responsibilities of the Mayor**

PLANNING	REVIEW	MONITORING, ANALYSIS AND MEASUREMENT	REPORTING	ASSESSMENT
<ul style="list-style-type: none"> <li>* Submits priorities and objectives of the Integrated Development Plan to Council for approval</li> <li>* Submits the PMS policy framework for approval</li> <li>* Submits the municipal strategic or organizational scorecard to Council for approval</li> <li>* Approves the Service Delivery and Budget Implementation Plans (SDBIP)</li> <li>* Enters into a performance agreement with the Municipal Manager on behalf of the Municipal Council</li> <li>* Assigns the responsibility for the management of the PMS to the Municipal Manager</li> <li>* Tables the budget and the SDBIP to Council for approval</li> <li>* Approves the departmental or service scorecards and Section 57 Managers scorecards</li> </ul>	<ul style="list-style-type: none"> <li>* Proposes to Council the annual review programme of the IDP, including the review of key performance indicators and performance targets</li> <li>* Proposes the annual performance improvement measures of the municipality as part of the municipal strategic or organizational scorecard</li> <li>* Proposes changes to the priorities, objectives, key performance indicators and performance targets of the municipality</li> <li>* Quarterly evaluates the performance of the municipality against adopted KPIs and targets</li> <li>* Quarterly reviews the performance of the departments to improve the economy, efficiency and effectiveness of the municipality</li> <li>* Quarterly and annually evaluates the performance of the Municipal Manager</li> </ul>	<ul style="list-style-type: none"> <li>* Receives monthly budget statements</li> <li>* Receives performance reports quarterly from the internal auditor</li> <li>* Receives performance reports twice a year from the Performance Audit Committee</li> <li>* Receives monthly and quarterly reports from the Municipal Manager on the performance of managers and the rest of the staff</li> <li>* Receives the annual Section 46 reports from the Municipal Manager before submission to council, Auditor General and MEC</li> <li>* Report to council on the mid-term review and the annual report on the performance of the municipality</li> <li>* Reports to Council on the recommendations for the improvement of the performance management system</li> </ul>	<ul style="list-style-type: none"> <li>* Assess and submits the municipal annual audit plan and any substantial changes to council for approval</li> <li>* Assess and approves the implementation of the recommendations of the internal auditor with regard to improvement in the performance of the municipality or improvement of the performance management system itself</li> <li>* Receives and assess performance audit report(s) from the Auditor General and management comments and make recommendations to Council on addressing whatever audit queries raised therein</li> </ul>	



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Roles and Responsibilities of the Municipal Manager					
PLANNING	IMPLEMENTATION	REVIEW	MONITORING, ANALYSIS AND MEASUREMENT	REPORTING	ASSESSMENT
<ul style="list-style-type: none"> <li>* Coordinates the process of needs identification and prioritization among all stakeholders, including community structures</li> <li>* Coordinates the formulation and revision of the PMS policy framework</li> <li>* Coordinates the formulation and revision of the municipality's strategic or organizational scorecard</li> <li>* Leads the process of the formulation and revision of the Service Delivery and Budget Implementation Plans</li> <li>* Enters into performance agreements with Section 57 Managers on behalf of Council</li> </ul>	<ul style="list-style-type: none"> <li>* Manages the overall implementation of the IDP</li> <li>* Ensures that all stakeholders implement the provisions of the PMS policy framework</li> <li>* Ensures that the Departmental scorecards and departmental annual programmes serve the strategic or organizational scorecard of the municipality</li> <li>* Ensures that annual programmes are implemented according to the targets and timeframes agreed to</li> <li>* Implements performance improvement measures approved by the Mayor and the Council</li> <li>* Ensures that performance objectives in the Section 57 Managers' performance agreements are achieved</li> </ul>	<ul style="list-style-type: none"> <li>* Formulates the annual review programme of the IDP, including the review of key performance indicators and performance targets for the consideration of Council Committees and the Mayor</li> <li>* Formulates the annual performance improvement measures of the municipality as part of the new municipal strategic or organizational scorecard</li> <li>* Quarterly reviews the performance of departments to improve the economy, efficiency and effectiveness of the municipality</li> <li>* Quarterly and annually evaluates the performance of Section 57 Managers</li> </ul>	<ul style="list-style-type: none"> <li>* Receives performance reports quarterly from the internal auditor</li> <li>* Receives performance reports twice a year from the Performance Audit Committee</li> <li>* Receives monthly departmental performance reports</li> <li>* Reports quarterly to the Mayor on the performance of Departments</li> <li>* Reports on the implementation of improvement measures adopted by the Mayor and Council</li> <li>* Monthly, quarterly and annually reports to the Mayor on the performance of Section 57 Managers and departments</li> <li>* Submit the municipal annual Section 46 report to the Mayor</li> </ul>	<ul style="list-style-type: none"> <li>* Formulates the municipal annual audit plan</li> <li>* Assess and formulate appropriate responses to the recommendations of the internal auditor and the Performance Audit Committee</li> <li>* Assess and formulate appropriate responses to performance audit queries raised by the Auditor General and make recommendations to the Mayor</li> </ul>	

**Roles and Responsibilities of the Section 79 Committees**

PLANNING	REVIEW	MONITORING, ANALYSIS AND MEASUREMENT	REPORTING	ASSESSMENT
<ul style="list-style-type: none"> <li>* Advise the Exco on priorities and objectives of the Integrated Development Plan</li> </ul>	<ul style="list-style-type: none"> <li>* Participate in the formulation of the annual review programme of the IDP, including the review of key performance indicators and performance targets</li> </ul>	<ul style="list-style-type: none"> <li>* Reports to the Exco on the recommendations for the improvement of the performance management system</li> </ul>	<ul style="list-style-type: none"> <li>* Receive reports from the departmental heads and section managers on performance in their respective service areas</li> </ul>	<ul style="list-style-type: none"> <li>* Advise the Exco on the implementation of the internal recommendations of the internal auditor, the Performance Audit Committee and the Auditor-General</li> </ul>

**Roles and Responsibilities of the Section 57 Managers**

PLANNING	IMPLEMENTATION	REVIEW	MONITORING, ANALYSIS AND MEASUREMENT	REPORTING	ASSESSMENT
<ul style="list-style-type: none"> <li>* Participate in the formulation of the SDBIP and the municipal strategic or organizational scorecard</li> <li>* Manage subordinates' performance                             <ul style="list-style-type: none"> <li>❖ Manage the day to day running of the Department</li> <li>❖ Address previous years AG findings</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>* Manage the implementation of the Departmental scorecards</li> <li>* Ensure the performance objectives in the performance agreements are achieved</li> </ul>	<ul style="list-style-type: none"> <li>* Quarterly and annually review the performance of the department</li> <li>* Quarterly review performance of direct reports</li> </ul>	<ul style="list-style-type: none"> <li>* Report on the implementation of improvement measures adopted by the Mayor and Council</li> <li>* Annually report on the performance of their departments.</li> <li>* Receive monthly performance reports from section managers</li> <li>* Reports monthly on progress</li> </ul>	<ul style="list-style-type: none"> <li>* Report on the implementation of improvement measures adopted by the Mayor and Council</li> <li>* Annually report on the performance of their departments.</li> <li>* Receive monthly performance reports from section managers</li> <li>* Reports monthly on progress</li> </ul>	<ul style="list-style-type: none"> <li>* Participate in the formulation of the response to the recommendations of the internal auditor, performance Audit Committee and the Auditor General</li> </ul>

**Roles and Responsibilities of Non-Section 57 Municipal Employees**

PLANNING	IMPLEMENTATION	REVIEW	MONITORING, ANALYSIS AND MEASUREMENT	REPORTING	ASSESSMENT
<ul style="list-style-type: none"> <li>* Participate in identifying of priorities and setting KPIs and targets for the municipality's IDP</li> <li>* Participate in the development of the organizational and the departmental scorecards</li> <li>* Participate in the development of their own performance scorecards</li> </ul>	<ul style="list-style-type: none"> <li>* Execute individual work plans</li> <li>* Manage all information and evidence required for performance measurement</li> </ul>	<ul style="list-style-type: none"> <li>* Participate in the review of departmental plans</li> <li>* Participate in the review of own performance</li> </ul>	<ul style="list-style-type: none"> <li>* Report on progress on achieving of own scorecard targets to section managers</li> </ul>	<ul style="list-style-type: none"> <li>* Assess performance review reports of own section</li> </ul>	

**Roles and Responsibilities of the Community**

PLANNING	REVIEW	REPORTING
<ul style="list-style-type: none"> <li>* Participate in the drafting and implementation of the municipality's IDP through established forums</li> <li>* Participate in the setting of KPIs and targets for the municipality every year through the IDP process</li> <li>* Make representations on the draft annual budget</li> </ul>	<ul style="list-style-type: none"> <li>* Participate in the annual review of performance through their involvement in ward committee structures and customer perception surveys.</li> </ul>	<ul style="list-style-type: none"> <li>* Receive/comment on annual performance and budget reports from council through participating in meetings called through the Oversight Committee/MPAC</li> </ul>

**Roles and Responsibilities of Ward Committees**

PLANNING	REVIEW	REPORTING
<ul style="list-style-type: none"> <li>* Participate in the drafting and implementation of the municipality's IDP</li> <li>* Participate in the setting of KPIs and targets for the municipality every year during IDP meetings</li> <li>* Make representations on the draft annual budget</li> </ul>	<ul style="list-style-type: none"> <li>* Participate in the annual review of performance through their involvement</li> </ul>	<ul style="list-style-type: none"> <li>* Receive quarterly performance reports from council through Ward Councillors</li> </ul>

<b>Roles and Responsibilities of Organized Labour</b>		
PLANNING	REVIEW	REPORTING
<ul style="list-style-type: none"> <li>* Participate in the drafting and implementation of the municipality's IDP through established forums</li> <li>* Participate in the setting of KPIs and targets for the municipality every year during IDP meetings</li> <li>* Participates and provide inputs in the drafting of the organizational and departmental scorecards</li> <li>* Monitor the overall application of the Performance Management Policy Framework on Non-Section 57 employees</li> </ul>	<ul style="list-style-type: none"> <li>* Participate in assessment and the quarterly reviews of employee performance and provide input to the departmental and organizational performance review reports</li> </ul>	<ul style="list-style-type: none"> <li>* Receive quarterly performance reports on employee under-performance in the Local Labour Forum</li> <li>* Report on any negative effects of the PMS on employees</li> </ul>

Roles and Responsibilities of the Internal Audit				
PLANNING	AUDIT	ASSESSMENT	REPORTING	
<ul style="list-style-type: none"> <li>* Develop the risk and compliance-based audit plan</li> <li>❖ Advise Management on improving on short comings</li> </ul>	<ul style="list-style-type: none"> <li>* Audit the performance measures in the municipal and departmental scorecards</li> <li>* Conduct compliance based audits</li> </ul>	<ul style="list-style-type: none"> <li>* Assess the functioning of the municipality's PMS to ensure it complies with the Act</li> </ul>	<ul style="list-style-type: none"> <li>* Submit quarterly reports to the Municipal Manager.</li> </ul>	<ul style="list-style-type: none"> <li>* Submit quarterly reports to the Performance Audit Committee</li> </ul>

Roles and Responsibilities of the Performance Audit Committee				
PLANNING	REVIEW	REPORTING		
<ul style="list-style-type: none"> <li>* Receive the annual audit plan from Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>* Review quarterly reports from the internal audit office on quarterly basis</li> </ul>	<ul style="list-style-type: none"> <li>* Submit quarterly reports to the municipal Manager and the Mayor</li> </ul>	<ul style="list-style-type: none"> <li>* Submit annual reports to the Municipal Council</li> </ul>	

#### Phase 4: Performance Reviews

Performance review is a process where the municipality, after measuring its own performance as detailed in the previous phase, assesses whether it is giving effect to the IDP. It is a phase where it will assess whether it is doing the right thing, doing it right and better, or not. Performance reviews will be conducted through the municipality's scorecard model by assessing performance against the 5 Key Performance Areas (KPA's), indicators, and targets. Setsoto Local Municipality's reviews will be conducted by using the "best value review" approach in the following three methods:

- I. The first method will look at whether the current level of performance is better than that of the previous year, **using baseline indicators** as adopted in the organizational scorecard. This assessment is important because the municipality can only know if its performance is improving by comparing with past performances. This review method will be the one used regularly alongside the monitoring and analysis processes. The reviews will occur on (a) monthly, quarterly and annually.
- II. The second method will be through conducting **customer perception surveys** on an annual basis. The survey will assess the community's perceptions about the performance of the municipality against the delivery in their key performance areas.
- III. The third method is will look at the municipality's performance by comparison with other similar ones through local municipalities through **benchmarking exercises** conducted once in two years.

The "best value review" approach challenges the current level of municipal performance (**through comparing actual performance against the baselines**), compare it to others (**through benchmarking**), consult with customers and communities (**through customer perception surveys**) and find ways of competing with other municipalities to provide best value in service delivery (**through twinning agreements**).

The results of measurement and reviews will be captured on the spreadsheet reporting format as shown on **Figure 8** under the reporting section below. All performance reports from departmental to organizational will be done on the same format so that there will be consistency on reporting

#### Who has the Responsibility of Conducting Reviews in Setsoto Municipality?

As in the monitoring and measurement stages, reviews will be conducted according to the lines of accountability within the municipality's organizational structure. Reviews at all levels on organizational indicators and targets will be conducted quarterly, preceded by coaching sessions by the municipal managers to her/his direct reports. On considering the quarterly reports from each department and the results of the measurement revealing the level of

performance in each department, the Municipal Manager must conduct one-on-one coaching sessions with Managers directly accountable to him/her, to ascertain the level of comfort and confidence in achieving set targets, and to understand the challenges that the Manager might be facing in achieving results. The coaching session must be recorded and the coaching notes be kept in the department's evidence file for individual performance evaluation purposes which is in line with Schedule 8 of the LRA.

### **Improving Performance**

In order to improve performance, the Setsoto Local Municipality, throughout the performance management phases, will analyse the courses and contributory reasons for poor performance, through coaching and mentoring sessions from top to lower levels of the administration and appropriate response measures will be developed. These will include, inter alia:

- Process and system improvement strategies to remedy poor systems and processes
- Training and sourcing additional capacity where skills and capacity shortages are identified
- Review of the IDP by councillors to address shortcomings in strategy
- Development of appropriate departmental business plans and operational plans to guide performance in each department
- Where results show no chance of improvement through internal measures.

### **Phase 5: Reporting on Performance**

Reporting requires that the municipality take its key performance areas, its performance objectives, indicators, targets, measurements and analysis, and present this information in a simple and accessible format, relevant and useful to the different stakeholders for review. The Setsoto Municipality will adopt the reporting format shown in **Figure 8** below as its uniform reporting template at all levels of reporting, but will allow innovative forms of reporting at lower levels to accommodate the skills levels of employees.

The proposed template will contain only necessary and relevant information and will cover the period for which the reporter is reporting, state the relevant key performance areas, capture all the agreed objectives and indicators, state agreed targets relevant to the period which the report covers, measure current performance over the period for which the report is covering, specify when the measurement was done, specify the source of the measurement, reflect on whether agreed targets have been met, analyse the reasons for the level of performance, and suggest corrective action, if necessary.

All stakeholders who are expected to report on performance will use this one reporting format. The reporting format will remain simple, accessible to all users and useful to the intended reader.

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The main feature of the reporting phase is the production of the annual report. This is a consolidated report that reflects results on performance on each of the 5 perspectives as per the adopted model. The main report will be informed by the information gathered through the scorecards throughout the year and one performance report will be compiled as per the requirement of Section 46 of the Municipal Systems Act. Since the Setsoto Municipality adopted the Revised Municipal Scorecard model, its annual report will reflect its performance results clustered in the following 5 perspectives:

- Under the Municipal Development Perspective the municipality will reflect results achieved on indicators around the performance area of social and economic development. This perspective measures the outputs on socio-economic development in the municipality.
- Under the Service Delivery Perspective the municipality will reflect its annual performance achievements in the overall delivery of basic and infrastructural services outputs.
- Under the Financial Management Perspective, the annual report will reflect the municipality's performance with respect to the management and viability of its finances. It has to reflect the results of the financial process, inputs and output indicators.
- The Institutional Development Perspective will report on input indicators that measure the functioning of the municipality under areas such as human resources, strategic planning and implementation, performance management, etc; and
- Under the Governance Process Perspective the municipality's annual report must indicate results achieved in relation to its processes of engagement with its stakeholders in the process of governance, established and functioning governance structures, for example, a functioning Audit Committee, etc.



## 5 Employee Performance Management

### 5.1 Legal Framework that Governs Employee Performance Management

In local government, municipal employees now fall into two broad categories: namely, the employees who are governed by Section 57 of the Municipal Systems Act and enter into time-specified employment contracts with the municipality, and those that are employed on permanent basis and are governed by the provisions of the Local Government Bargaining Council. In this policy framework, all the employees employed under Section 57 will be referred to as "**Section 57 Managers**" and those under the Bargaining Council will be referred to as "**Permanent Employees**".

The local government legislation has provided guidance on managing and rewarding performance of Section 57 Managers, i.e. the Municipal Manager and all Managers directly accountable to her. The Performance Management Regulations for Municipal Managers and Managers Directly Accountable of 2006 make special provisions for employment and managing performance of these employees. The pertinent provisions will be outlined briefly below. However a full copy of the Regulations will be attached as one of the appendices to this policy framework.

- Section 57 managers must enter into employment contract with the municipality on assumption of duties and the regulations gives a detailed guide on the elements of an employment contract;
- **Performance Agreements** must be signed on each financial year or part thereof;
- A new **performance agreement** must be concluded within **one month** after the commencement of the new financial year, i.e. by 31 July of every year;
- A **personal development plan** must be documented at the end of the performance review and form part of the performance agreement;
- The employee's performance must be assessed against two components: **Key Performance Areas (KPA's) at (80%) and Core Competency Requirements (CCR's) at (20%)**;
- A **5 - point rating scale** should be provided for each Key Performance Indicator in the employees scorecard;
- The municipality must establish Evaluation Committees who must meet annually to evaluate the performance of the Municipal Manager and the managers directly accountable to the Municipal Manager;
- The Municipal Manager's annual performance must be evaluated by the Mayor, Chairperson of the Performance Audit Committee, Member of the Executive Committee, Mayor and/or Municipal Manager from another municipality and Member of a Ward Committee nominated by the Mayor;
- Managers directly accountable to the Municipal Manager must be rated by the Municipal Manager, Chairperson of the Performance Audit

- Committee, Member of the Executive Committee and a Municipal Manager from another municipality.
- A performance bonus ranging from a minimum of 5% - 14% maximum of the all-inclusive remuneration package must be paid as follows:
    - A score of 130 - 149% is awarded a bonus from 5% - 9%
    - A score of 150% and above is awarded a bonus from 10% - 14%;
  - Guaranteed annual cost of living adjustment to salaries must be paid and this is not linked to performance;
  - Rewarding of Performance for Section 57 employees must be done after the tabling of the annual performance report and the financial audited statements in February annually.

As can be seen from the above provisions, the Section 57 employees in the Setsoto Municipality will align with the above regulations and their performance will be measured through their performance plans/scorecards. The same organizational scorecard will be cascaded to the employee scorecard and these will form part of their performance agreements.

### **Phase 1: Planning for Employee Performance**

The IDP yields a set of indicators and targets. These become an undertaking of the municipality to the community. The IDP informs the development of the SDBIP and the organizational scorecard. The components of the organizational scorecard will be cascaded to the municipal manager's performance scorecard and performance agreement as he/she is responsible for the implementation of the IDP. The municipal manager will then extract relevant indicators to inform scorecards of the different Departments. These indicators would then become the indicators and targets of the Heads of Departments to be incorporated in their performance scorecards and agreements. The Heads of Departments will in turn cascade the indicators and targets to lower levels in line with the scope of responsibilities at that level. Therefore, this policy framework establishes a system of individual performance management linked to the organizational performance through the scorecard model.

### **Effecting Weighting and Rating on Employee Scorecards**

The Setsoto will adopt a weighting approach to show the relative importance of one indicator against another indicator. Every indicator in an employee's performance scorecard/plan will be assigned a weighting. The total of the weightings on the performance scorecard must add up to 100 points. An important indicator may, for example, be assigned a weighting of 50 out of the total of 100 whereas a less important KPI may be assigned a weighting of 15 out of 100. The purpose of the weightings is to show employees what the key focus areas are in their work.

The weighting of indicators in the scorecard of the Section 57 employees will follow the line of the provisions of the 2006 Performance Regulations. The weighting of 80% will be allocated to KPA-related indicators and 20% of the weighting will be allocated to CCR-related indicators.

The 2006 Performance Regulations sets out the rating as in **Table 1** below.

**Table 1: The 5-Point Rating for Employee Performance Appraisals**

LEVEL	TERMINOLOGY	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					
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 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.					
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 outcome of the planning phase in the individual performance management will result in all employees having signed performance agreements and scorecards at the beginning of every financial year.

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

When projects and programmes are implemented, the monitoring system as proposed in the organizational performance phases will apply. All the reporting timelines and information management responsibilities will be carried out as detailed in these phases.

### **Phase 3: Coaching**

Should an employee not be achieving the agreed indicators in his/her performance scorecard the manager/supervisor must assist the employee by managing his/her performance more closely. It is not appropriate that the first time an employee hears about his/her non-performance is at the formal performance review. Employees must be coached and given feedback at least quarterly before review.

### **Phase 4: Employee Performance Review**

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

- A Manager/supervisor will prepare ratings of employee's performance against key performance indicators. The rating will be done by considering the year end actual cumulative as well, the evidence which was documented during the coaching cycle as well as any other relevant input.
- The Manager/supervisor will request the employee to prepare for formal appraisal by rating him/herself against the agreed key performance indicators on their scorecards.
- The Manager/supervisor and the employee meet to conduct a formal performance rating with a view to conclude a final rating. The employee may request time to consider the rating. A second meeting will then take place. In the event of a disagreement, the manager/supervisor has the final say with regard to the final rating that is given.
- After the ratings have been agreed upon the scores are calculated.
- The Manager/supervisor must make own notes during the formal review meeting. All the criteria that have been specified must be taken into consideration.
- Only those KPI's relevant for the review period in question should be rated according to the five point scale as shown above
- After the year-end review the manager/supervisor and the employee prepare and agree on a personal development plan.

The total score is determined once all the indicators have been rated and scored. This is done with a view to establish if an employee is entitled to a notch increase or an accelerated salary progression or a non-financial award. Annual inflation related increments will not be affected by the implementation of the performance management system and cascading it down to all employees.

### Phase 5: Rewarding Performance

This phase establishes the link between performance and reward. It aims to direct and reinforce effective work behaviours by determining and allocating equitable and appropriate rewards to employees.

The performance reward system applied to Section 57 Employees is different from the performance reward system applied to Permanent Employees who are not Section 57 Employees. Section 57 employees reward system is clearly spelt out in the 2006 Performance Regulations and these rewards are be allocated after the tabling of the receipt of the audit report and tabling of the annual report, i.e. in February of each year.

If an employee is a permanent employee of the Setsoto Local Municipality and is thus covered by the conditions of service of the municipality, performance is not directly linked to pay. Currently permanent employees receive an annual bargained increase determined by the South African Local Government Bargaining Council (SALGBC). Permanent employees who perform outstandingly will receive non-cash rewards, until such time as a national remuneration policy dictates otherwise.

The non-cash rewards that might be awarded to permanent employees appear in **Table 2** below depending the availability of resources where applicable.

**Table 2: Non-Cash Rewards that will be awarded to Permanent Employees**

Performance levels	Examples of non-cash reward
Outstanding/above Performance levels	A. Employee is granted "free" leave days. B. Merit Awards C. Mayoral Excellence Awards D. Salary Notch Adjustments E. Promotions
Average performance	No specific reward
Below average performance	Compulsory performance counselling and monthly coaching sessions by manager/supervisor

## 6 Critical Dates and Timelines

Over and above the different management processes that the Setsoto Municipality will be used to implement this Performance Management Policy Framework, it will also comply with critical dates and timelines that will make the management of performance align with corporate governance principles and enable other stakeholders to perform their roles and responsibilities efficiently and effectively. The critical dates and timelines are listed below in **Table 3**

**Table 3: Critical Timelines**

<b>PLANNING</b>	Development and approval of the SDBIP and organizational scorecard		March – May	Council
		Signing performance Contracts/Plans with rest of staff	31 July	Mayor Section 57 Managers
		Signing performance Contracts/Plans with rest of staff	March – June	Municipal Manager All staff
<b>MONITOR, MEASURE &amp; REVIEW</b>	Monthly Monitoring	Monthly Monitoring	Monthly	Municipal Manager Senior Managers Section managers/ Supervisors.
	Quarterly Review/s	Quarterly Reviews	September December March	Municipal Manager Senior Managers Managers/ Supervisors
		Annual Performance Appraisal	June	Mayor Municipal Manager Senior Managers Managers Supervisors
		Reward and Recognition	June and February	Mayor Municipal Manager Senior Managers
<b>REPORTING</b>	Quarterly and Mid-Term Reports	Quarterly Reports	September December March	Management Team
	Annual reports	Annual Employee Performance Reports	31 August	Mayor Municipal Manager
		Departmental and Section Heads Reports	Monthly	Management Team Section managers
<b>IMPROVEMENT</b>	Performance Improvement Plans		June	Management & employees

## **7 Evaluation and Review of the Whole Performance Management System (PMS)**

The Setsoto will review its performance management system annually alongside the review of the IDP.

## **8 Conclusion**

This framework seeks to provide the basis for a structured approach to performance management within the Setsoto Municipality. As indicated earlier, proper implementation of this framework lies heavily on commitment and dedicated leadership. It is hoped that in the near future the municipality will convert this manual performance management platform into an electronic system. However, that will only occur when all stakeholders has gotten into grips with the whole concept of performance management and can fully carry out their roles and responsibilities within the performance cycle.