



PERFORMANCE MANAGEMENT SYSTEM - IMPLEMENTATION POLICY

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INTRODUCTION

The need to develop and maintain a performance management system in municipalities was first identified during the drafting and approval of the Constitution of the Republic of South Africa, 1996 Chapter 7 deals exclusively with the local sphere of government and, inter alia, lists the objects and developmental duties of municipalities.

Within the framework of the Constitution, the White Paper on Local Government issued by the Ministry of Provincial Affairs and Constitutional Development in March 1998, established the basis for a new integrated developmental local governmental system which is committed to working with communities to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives. The White Paper states the following:

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

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

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

- ✦ *Establish a **PMS** that is commensurate with its resources, best suited to its circumstances and **in line with** the priorities, objectives, indicators and targets contained in its **IDP** with the **involvement of the community**;*
- ✦ *Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration;*
- ✦ *Administer its affairs in an economical, effective, efficient and accountable manner;*
- ✦ *Set appropriate **key performance indicators (KPIs)** and **measurable performance targets** with regard to the municipality’s development priorities and objectives set out in the **IDP in consultation with the community**;*

- ✦ *Establish mechanisms to, at least **once per year, monitor, measure and review performance in consultation with the community;***
- ✦ *Set up appropriate **mechanisms to timeously detect under-performance;***
- ✦ *Conduct an **internal audit on performance;***
- ✦ *Submit **results of performance measurement** for audit by the **Auditor-General (AG), annually ;***
- ✦ *Include a **report on performance** as well as the **audit report on performance by the AG**, in the municipality's **annual report** required in terms of Section 121 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA); and*
- ✦ ***Publish the annual report** for the information of councillors, staff, public and other spheres of government.*

***The purpose of this policy** is to provide a link between the legislative framework and the operational institutionalisation thereof in the municipality. It provides a governance tool for the Council which, with the buy-in of all role-players, will be the legitimate driving force for the implementation of performance management in an organisation-specific manner and the devolvement of the system to include all levels of staff and all employees while ensuring the municipality remains accountable to its community.*

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LIST OF ACRONYMS

AC	–	Audit Committee
AG	-	Auditor General
IA	-	Internal Audit
IDP	–	Integrated Development Plan
KPI	–	Key Performance Indicator
LLF	–	Local Labour Forum
MEC	-	Member of the Executive Council
MFMA	–	Municipal Finance Management Act
MS	–	Management Services
MSA	–	Municipal Systems Act
PAC	–	Performance Audit Committee
PMS	–	Performance Management System
SALGA	-	South African Local Government Association
PMSC	–	Performance Management Steering Committee
SDBIP	-	Service Delivery and Budget Implementation Plan

LEGISLATIVE FRAMEWORK

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

- ✦ The **Constitution of the Republic of South Africa, Act No. 108 of 1996** stipulates in Section 195 (b) that “efficient, economic and effective use of resources must be promoted”. It further states in Section 195 (h) that “good human resource management and career development practices, to maximise human potential, must be cultivated”.
- ✦ The **Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA)**, in Chapter 6 thereof, places specific emphasis on performance management. Section 38 obliges employers to implement a PMS that is in line with the priorities, objectives, indicators and targets contained in its IDP. Section 57 makes the employment of the Municipal Manager and Managers directly accountable to him subject to a separate performance agreement concluded annually before the end of July each year. Section 67 regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively.
- ✦ **The Local Government: Municipal Planning and Performance Management Regulations No. R. 796 published in Government Gazette No. 22605** dated 24 August 2001 stipulates in more detail what is expected from municipalities in implementing its PMS, inter alia, requiring this policy which must clarify all processes and the roles and responsibilities of each role-player, including the local community, in the functioning of the system. It also regulates the establishment, composition and functioning of a Performance Audit Committee (PAC).
- ✦ The **Local Government: Municipal Finance Management Act, Act No. 56 of 2003 (MFMA)** requires a service delivery and budget implementation plan (SDBIP) based on specific targets and performance indicators derived from the IDP thus linking the IDP, the PMS and the budget. In terms of Section 72 thereof a municipality is required to submit a mid-year budget and performance assessment before 25 January of each year. Section 165 stipulates the existence of an internal audit unit which inter alia, advises the Municipal Manager and reports to an Audit Committee (AC) on the implementation of an internal audit plan including performance management. Section 166 requires the establishment of an independent AC advising the political and administrative executive on inter alia matters relating to performance management and performance evaluation.

- ✦ The **Skills Development Act, Act 97 of 1998** also forms an essential part of the legislative framework of this policy but in a more indirect manner. The Act aims to develop the skills of the South African workforce to improve the quality of life of workers and their prospects of work and perceives skills development as contributing to the improvement of performance and productivity in the workplace as well as the competitiveness of employers. The Act and specifically the Workplace Skills Plan provides a valuable vehicle for the training of staff.
- ✦ **Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 published in Government Gazette No. 29089** dated 1 August 2006 contains performance regulations for municipal managers and managers directly accountable to the municipal managers. The regulations include the terms of conditions of employment of these persons and ensure that their performance will in future be uniformly directed, monitored and improved. It sets a much firmer and clearer base for the mentioned personnel and aims to limit grey areas open to mismanagement, e.g. performance bonuses.

The combined effect of these Acts and Regulations obliges the Council to establish and implement a PMS with the dual purpose of improving the performance of its staff to deliver effective and efficient services based on the IDP and to develop human resources. This will be accomplished by using the PMS to identify the training and development needs of employees and to implement policies and programmes in response to these needs in order to improve the productivity of the organisation.

This policy is therefore based on legislative requirements and must be implemented to ensure compliance with these Acts. The s.56 Managers are herein after referred to as Directors, responsible for their directorates. The latter consisting of different departments.

PURPOSE, BENEFITS AND ADVANTAGES OF PERFORMANCE MANAGEMENT

1. PURPOSE

The purpose of the policy is:

- ✦ To give effect to the legislative obligations of the Municipality in an open, transparent and focused manner;
- ✦ To incorporate the performance management processes applicable to Directors and how these relate to and link with the system in a holistic, institution wide, policy;
- ✦ To provide a firm foundation from which to steer the process of performance management through all phases of implementation and devolvement; and
- ✦ To link and lock the IDP, the Budget and a PMS in a cycle of prioritised, affordable and accountable municipal planning and effective service delivery involving all staff and the local community.

2. MAIN OBJECTIVES

Based on the above, the main objectives of the policy are:

- ✦ To assist employees to improve their current performance and productivity;
- ✦ To assess the training and development needs of employees and use these to inform the Workplace Skills Plan;
- ✦ To improve the job satisfaction of individual employees;
- ✦ To ensure job performance is linked to the overall objectives of the Municipality as per the IDP;
- ✦ To assist with career planning and succession planning;
- ✦ To identify the potential and abilities of employees and provide focused organisational support;

- To encourage good relations between employees and directors/managers;
- To identify poor performance and address it in a constructive manner focused on providing effective counselling, support and encouragement that will be to the benefit of the employee and the Municipality;
- To establish and maintain a balance between the needs of employees and the requirements of the Municipality; and
- To assist with decisions related to the placement, transfer and promotion of employees and rewarding of outstanding performance.

3. BENEFITS FOR EMPLOYEES

Employees will derive specific benefits from a PMS in that it would:

- Provide better insight in the job and clarify the duties and responsibilities associated with the job;
- Enable employees to see where he/she fits into the municipal structure and contributes to achieve the development objectives of the Municipality as per the IDP;
- Assist employees to discover their own strengths, to recognise their weaknesses and to develop the knowledge, skills and attitudes to overcome these in order to fulfil their potential;
- Enhance individual career development through informed decision-making and focused training; and
- Enable employees to make full use of the opportunities presented by the implementation of employment equity.

4. ADVANTAGES FOR THE MUNICIPALITY

Performance management will assist the Municipality as a service delivery institution and as the employer to:

- Make the IDP accessible to all employees, clarify objectives and strategies and promote the accountability of groups and individuals to these;

- Provide employees with accurate information on how it views the job and the expectations associated with it;
- Implement focused management linked to an early warning system;
- Continuously reassess structural functionality and enable effective organisational alignment with objectives and strategies;
- Evaluate the job analysis information and rectify faulty aspects thereof;
- Understand the role, duties and responsibilities of employees;
- Identify shortcomings in employment practices, procedures and policies;
- Delegate unambiguous and realistic responsibilities to employees;
- Assess the adequacy or inadequacy of resources available to employees;
- Identify and address training and development needs in a focused and structured manner so as to make use of the opportunities provided by the Skills Development Act;
- Develop the human resources of the Municipality; and
- Provide services in an efficient, effective and economic manner.

5. BENEFITS FOR THE COMMUNITY

Performance management will benefit the community through:

- The establishment of a system which translates the IDP into measurable objectives and targets;
- The institutionalisation of sound management principles ensuring effective and efficient governance of service delivery;
- Adequate provision for community consultation and the opportunity to have a clearer insight in the performance of the municipality; and
- The promotion of an accountable municipality.

PRINCIPLES UNDERLYING PERFORMANCE APPRAISALS

In recognising that the implementation of the PMS may create uncertainties and thus necessitate pre-clarified norms and values, the Council and all role-players involved commit to the following principles:

- The PMS will be a corrective system and not a punitive system.
- The PMS is based on ethical and operational principles that serve to ensure the system is fair, equitable and achieve performance management as well as human resources development.
- All employees in the Municipality will, subject to legislation, be treated equally by the PMS. The Local Labour Forum (LLF) or such other employer/employee representative structure, e.g. a sub-committee of the LLF that may be tasked with it, will be entitled to oversee the implementation/devolvement of the PMS.
- The guidelines used to design the system, implement it and reach conclusions and judgements about performance will be objective, balanced and will apply to all employees.
- The appraisal system will be based on the job analysis of each job and linked to the goals of the Council. The job performance and not the individual will be assessed.
- Individual performance appraisals of all levels of staff will be treated confidentially.
- The performance objectives to be achieved by individual employees will be mutually agreed to by the employee to be appraised (the appraisee) and the person responsible for the appraisal (the appraiser). As such it will be transparent to all employees and the objectives will be reasonable, realistic and measurable.
- Performance interviews will focus on open and honest discussion thus providing an employee with the opportunity to voice concerns and problems without fear of victimisation or discrimination.
- Employees will receive continuous feedback on the results of the performance appraisals in a constructive manner that focuses on counselling rather than criticism. Feedback will provide employees with an objective appraisal of the current situation and will be linked to appropriate steps to improve performance, including training and coaching objectives. Based on such feedback realistic time frames will be set for regular measurement of performance on the specific steps mutually agreed to by the appraiser and appraisee.

- ✦ All aspects of performance appraisals will be done in a written form that will be open to the scrutiny of the Council as the employer, should a situation arise that makes this necessary.

CULTURE AND WORK SITUATION

The Municipality is committed to establish and maintain a culture and work situation conducive for the implementation and maintenance of a PMS including regular performance appraisals and establishing a factual foundation for the system. The activities to be embarked on will, of necessity, be running concurrently with actual monitoring and measuring of performance and will include the following:

- ✦ To introduce the PMS via an internal brief prepared by the Performance Management Steering Committee (PMSC), discussed with the LLF and approved by the Council. The brief will be circulated to all directorates and employees via formal communication channels. The brief will inter alia explain the legislative obligations underlying the system, the process to be followed and the principles that will be adhered to by the Council. The brief could be in the form of an explanatory note with this policy attached to it.
- ✦ The system will be regularly reviewed and, in doing so, employee evaluations and constructive suggestions will, where possible, be incorporated to ensure the system is organisation-specific while adhering to the legislative framework. Amendments to the system will be communicated to directorates and employees in the same manner as outlined above.
- ✦ To establish and maintain a factual basis for the performance appraisals, the job analysis of each position in the Municipality will be regularly updated with respect to line functional activities and linked to the relevant directorate's objectives and targets as derived from the IDP, SDBIP and the municipal scorecard. Based thereon the appraisors and appraisees will determine mutually agreed to performance criteria, based on a format designed and approved by Management Services (MS) for standardisation and equality purposes.

IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM

1. DELEGATION AND OVERSIGHT

In terms of the MSA, the responsibility to establish a PMS rests with the Council but it has delegated its responsibilities in this regard to the Municipal Manager. However, the Council still remains the principal oversight body to ensure PMS is implemented in accordance with legislative requirements and, as such, must ensure any deviation from the system, e.g. late or inadequate monitoring and reporting is addressed.

2. PMS PROCESS

The Municipality decided to pursue a scorecard model. Although briefly referred to below, this policy does not concern itself so much with the methodology of packaging the key performance areas and targets that the Municipality use but focuses on the implementation processes and steps that the Municipality is legally obliged to follow as set out in Regulation No. R.796. **Refer to Diagram below.** It thus lays the foundation for the devolvement of the system to all staff levels and details the roles and responsibilities of the role-players involved in this process.

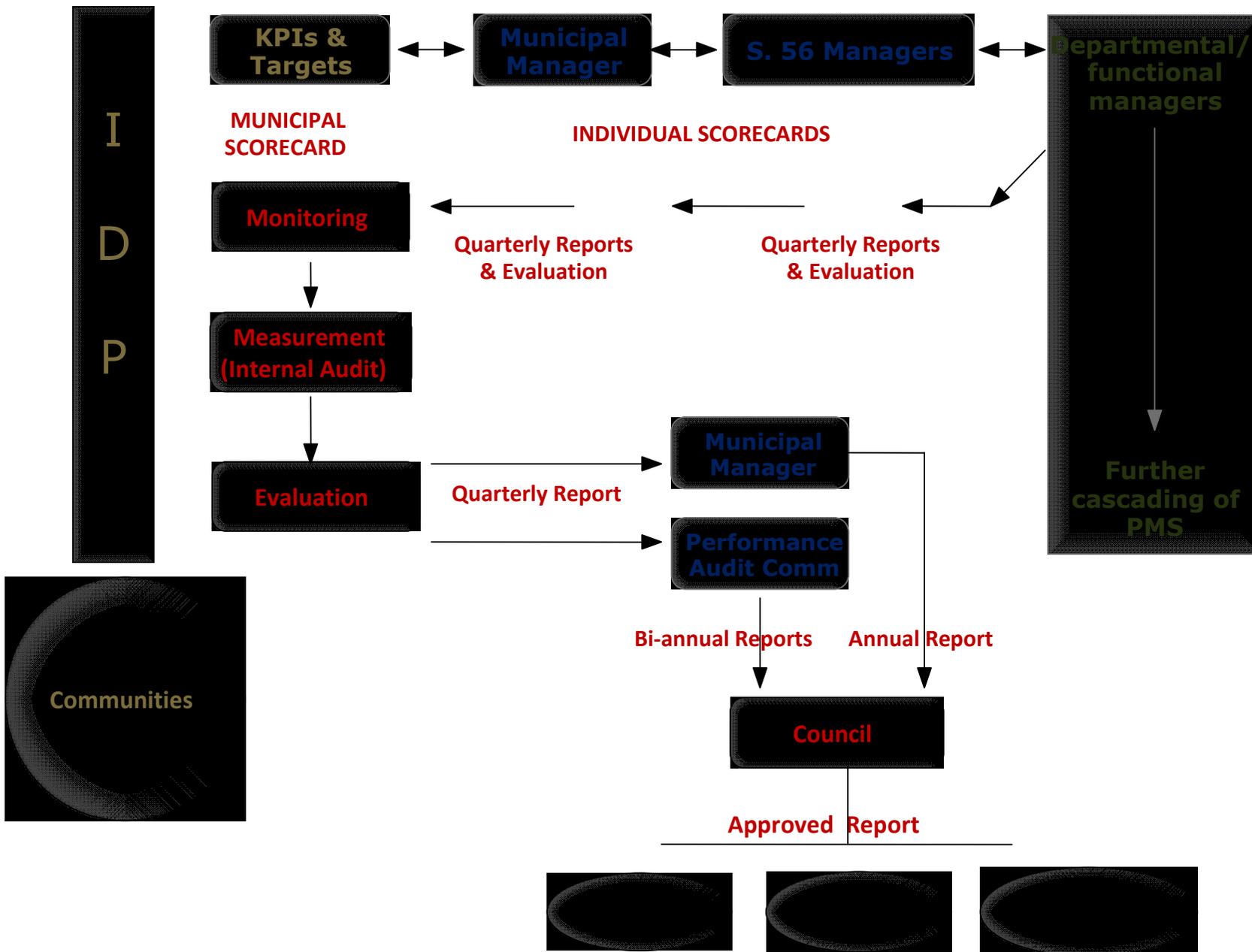
3. SCORECARD METHODOLOGY

The scorecard methodology followed by the Municipality consists of three components, i.e.:

- an institutional/municipal scorecard which is encompassing of the performance KPIs and targets of all the directorates including the general KPIs and inter-directorate KPIs and targets;
- the individual scorecards of the Directors and, as the system devolves, also the individual scorecards of the departmental/functional managers and other staff in each directorate; and
- directorate scorecards which are not specific documents but, if need be, could be compiled as a collective of the KPIs and targets of the Directors, departmental/functional managers and other staff in each directorate to which the system had been cascaded.
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The KPIs and targets are based on and linked to the IDP and reflect the objectives of the Municipality derived from community inputs and arrived at through community consultation.

Moreover, these KPIs include the performance indicators, i.e. baseline, input, output and outcomes, that are legally prescribed and are measurable in terms of time, cost and quality/quantity as provided for in the indicators and targets set for each KPI. The scorecards form a basis for the SDBIP.



3.1 PERFORMANCE AGREEMENTS & INDIVIDUAL SCORECARDS

The individual scorecards of the Municipal Manager and Directors are an integral part of their performance agreements and as such it forms the basis of their quarterly and annual performance appraisals.

Legislation places no obligation on a municipality to enter into performance agreements with departmental/functional managers. However, the Council recognises such agreements as a logical further step to cement the PMS in the administrative executive component of the Municipality with the provision that these agreements be in accordance with applicable legislation. Moreover, the adoption of a Rewards and Incentives Policy necessitates the existence of performance agreements with employees who will benefit from such a policy.

3.2 DEVOLVEMENT OF THE PMS

The KPIs and Targets (scorecards) of the Municipal Manager and Directors and thereafter the departmental/functional managers is an essential first step in the implementation of performance management and lays the foundation for the devolvement of the system down to the next level of management and thereafter to the entire workforce. Of practical importance is the manner in which individual and team work is approached when cascading the system. The Rewards & Incentives Policy addresses individual vis-à-vis team considerations.

Irrespective of whether an employee will be appraised as an individual or as part of a team, each person will be required to complete and enter into an annual performance agreement with the Municipality before 31 July of each year. However, the performance agreements to be used for non-managerial staff will be significantly simplified to suit all circumstances while still serving the broader focus of the PMS. These matters are further addressed in the Rewards & Incentives Policy that will become an annexure to this policy once it is approved by the Council.

4. COMMUNITY BASED IDP, BUDGET, PMS PROCESSES

The Municipality recognises the legal prescriptions in as far as community consultation is concerned. In essence, the three processes necessitating synergised community consultation are the IDP process, the Budgeting process and the Performance Management implementation process. This policy firstly aims to ensure a link between these processes and, as a second step, will work towards synergising these processes to ensure adequate,

affordable and transparent community consultation. The Municipality, through this policy in principle adopts the IDP-Budget-PMS Integration Process.

ROLE-PLAYERS AND RESPONSIBILITIES

The role-players who will be involved in rolling out the PMS and their responsibilities are as discussed below. The Council recognises that these structures and responsibilities are not cast in concrete but will develop further and become streamlined as the implementation process unfolds.

1. COUNCIL

As the political executive structure of the Municipality, the Council must ensure that legislation pertaining to performance management is implemented as prescribed but in doing so that it must also focus on the development of the Municipality's human resources.

The Council formally assigned the responsibility for the development and implementation of the PMS to the Municipal Manager and the Executive Mayor will annually on behalf of the Council enter into a performance agreement with the Municipal Manager. The Council must annually approve the Municipal/Institutional Scorecard encompassing of the IDP based KPIs and Targets of the Municipal Manager, Directors and, as and when added, those of the departmental/functional managers and the rest of the staff.

The Council must evaluate performance based on reports received from the PAC and the Municipal Manager. It must adopt the final consolidated annual report, ensure availability of the report to the media and the public and report to the provincial Member of the Executive Council (MEC) as provided for in the MSA.

The quarterly and annual performance appraisals of the Municipal Manager and Directors are the responsibility of the Council in accordance with the stipulations of their performance agreements, i.e. the composition of the necessary panel at the intervals as prescribed.

2. **MUNICIPAL MANAGER**

The Council has mandated the Municipal Manager with the accountability to ensure the implementation of a PMS including the measuring and evaluation of staff performance at regular intervals. This includes the establishment of performance standards, measuring performance against these standards, taking corrective steps where substandard performance is identified and rewarding exceptional performance in as far as Council policies allow.

The Municipal Manager will appoint a PMSC including the key personnel driving the IDP to assist with the fulfilment of his mandate. The Municipal Manager will also enter into performance agreements with the Directors and these must be reviewed and renewed on an annual basis. Performance agreements with departmental/functional managers will be entered into between each such manager, his/her Director and the Municipal Manager.

The performance appraisals of the departmental/functional managers will take place as stipulated in their performance agreements.

3. **PERFORMANCE MANAGEMENT STEERING COMMITTEE – PMSC**

The PMSC with the Municipal Manager acting as its chairperson, must champion the functional implementation of the PMS. In doing so the PMSC must inter alia:

- ✦ in co-operation with MS, oversee or is directly responsible for the compilation of all inter-municipal documentation regarding the PMS, including explanatory briefs and performance monitoring and evaluation forms for staff appraisals;
- ✦ review this policy from time to time and make recommendations to Council to ensure the policy reflects the PMS as it unfolds;
- ✦ further develop the mechanisms, systems and processes for performance monitoring, measurement and review to champion the devolvement of the system down to other staff levels;
- ✦ oversee the devolvement of the PMS and consult with the LLF regarding any matters relevant thereto;
- ✦ make recommendations and oversee synergising of the IDP, Budget and PMS processes;
- ✦ link all PMS actions to specific timeframes.

4. MANAGEMENT SERVICES – MS

On a functional level MS must act in close co-operation with the PMSC to:

- ✦ prepare and submit written documentation on the matters to be addressed by the LLF, including this policy, to the latter;
- ✦ assist the LLF to review this policy on a continuous basis in accordance with legislative requirements;
- ✦ consult the LLF on any practices, procedures or policies to be established to complement the effectiveness of the PMS.

On an operational level MS must assist individual directorates, directors, managers and appraisors to fulfil their obligations in terms of this policy. This includes assistance with matters incidental to establishing and maintaining a culture and work situation conducive for performance appraisal, the formulation of work methods on how to obtain the necessary data relevant to the performance appraisals, the provision of standardised rating sheets for non-supervisory and supervisory personnel, more detailed information on the format and procedure of the formal and informal performance appraisal interviews, the formulation of performance questionnaires for personal evaluation reviews pertaining to middle and senior managerial employees, guidance on how to approach the feedback process based on the results of the performance interviews and the formulation of questionnaires to evaluate the effectiveness of the performance appraisal system.

MS must ensure the procedures agreed to by the LLF to assist employees to understand the PMS are implemented. It must oversee the training of appraisors and assist to ensure skills gaps are addressed through the focused training of employees, e.g. via the Workplace Skills Plan and thus with LGSETA funding.

Any disputes concerning the system must, if these are operational in nature, be lodged with MS and, if these are of a managerial nature, be lodged with the Municipal Manager. It must be ensured that all information relevant to a dispute is properly documented.

5. LOCAL LABOUR FORUM – LLF

The LLF is a representative and legitimate body which is, in accordance with the Labour Relations Act, Act No. 66 of 1995, vested with the responsibility to ensure that the introduction, design, implementation and monitoring of the PMS are in accordance with fair and equitable labour practices and that employees' rights are protected. The LLF may make recommendations to the Council on any matters related to the PMS provided it follows the correct channels to do so.

The LLF must ensure that a culture and work situation conducive for a performance appraisal system is established and maintained. Furthermore, that the system is designed to take individual employee needs into consideration and provides a mechanism for resolving disputes concerning the implementation of the system.

The design of the system must include agreement on the standards to be set, the criteria underlying performance measurement and the content and format of the different phases of the system, the training to be provided to appraisors and a reporting mechanism for directors and managers via MS to the LLF to ensure the training and development needs of staff are interpreted, structured and fulfilled through a training and development policy and programme. Specific measures on how to introduce the system to illiterate employees and assist them, where necessary, should be agreed to.

During the establishment phase of the system the LLF must also report to the Municipal Manager on a quarterly basis. Thereafter reporting will be done on an annual basis. The contents of the LLF report must be captured in the quarterly reports to the Internal Auditors (IAs).

6. S.56 MANAGERS / DIRECTORS

The Directors are, in terms of their performance agreements, on an annual basis bound to identify and document the KPIs and Targets applicable to themselves and their respective directorates as derived from the annually reviewed IDP and the SDBIP. It is the responsibility of the Directors to ensure that these KPIs and Targets are further broken down for each department and functional unit within a directorate and, as applicable, included in the performance agreements of the departmental/functional managers and other staff.

The Directors must ensure that formal and informal performance appraisal interviews/meetings are done by the appraisors within their respective directorates, co-ordinate the results thereof and through their own quarterly reports, report on the progress with implementation of the system, successes and failures thereof and problems experienced. An important facet is making sure that the job analyses on which performance appraisals are based are completed, regularly updated and in line with the requirements of each position and the overall objectives of the Council based on its IDP and the institutional/municipal scorecard.

Based on the results of the performance interviews of the staff, the Directors must identify the training needs of individuals and/or the directorate as a whole and submit written proposals on these to MS for inclusion thereof in the Workplace Skills Plan.

Directors must submit quarterly performance progress reports to the Municipal Manager.

The performance appraisals of the Directors take place as stipulated in this policy and further in their performance agreements.

7. DEPARTMENTAL/FUNCTIONAL MANAGERS

The Departmental/functional managers are, in terms of their performance agreements, on an annual basis bound to identify and document the KPIs and Targets applicable to their respective departments/sections as derived from the KPIs and Targets of the Directors and the municipal scorecard. They are also responsible to ensure that their KPIs and Targets are further broken down for each employee within their own departments/sections.

The performance appraisals of the departmental/functional managers take place as stipulated in this policy and further in their performance agreements.

8. INTERNAL AUDIT & AUDIT COMMITTEE – IA/AC

The IAs in co-operation with the PAC are mainly responsible for the macro, municipal wide measurement and evaluation of performance and reporting thereon. The AC consists of at least three members, two of whom are not in the employ of the Municipality and no councillor may be a member of the AC.

The AC is an independent advisory body which inter alia must advise the management staff of the Municipality. Persons appointed to the AC must have a good working knowledge of the Municipality's spectrum of activities including the IDP. The Committee must meet at least four times a year.

9. PERFORMANCE AUDIT COMMITTEE - PAC

The PAC consists of at least three members, of who at least two are not councillors or employees including the chairperson and one who has expertise in performance management. External members of the PAC are remunerated according to the tariffs of the South African Institute of Chartered Accountants in consultation with the AG.

The PAC must meet at least twice during a financial year and may hold special meetings if called for by any of its members. The PAC must determine its own procedures but must at least consult the Executive Mayor about it. It communicates directly with the Municipal Manager or the IAs and External Auditors and may access any relevant municipal records, request attendance of its meetings of any relevant person and investigate any matter it deems necessary. In adherence to the above stipulations the AC may be structured to also serve the purpose of the PAC.

10. EMPLOYEES (APPRAISORS & APPRAISEES)

In accordance with legislative requirements, specifically the MSA, the entire staff component of the Council will be required to participate in the PMS and by implication performance appraisals. This is necessary since recognition for performance cannot be given unless performance is measured.

11. COMMUNITY

Community consultation must be done in accordance with legal prescriptions through the ward committees and other forums established by the Municipality for such purpose. The community must, on an annual basis, be afforded the opportunity to comment on the institutional/municipal scorecard prior to it being approved by the Council. This document would serve as feedback to the community on what they can expect and should measure the Municipality on for the next financial year as well as to be used by the community as an input to the IDP review process.

MONITORING AND MEASUREMENT OF PERFORMANCE

1. INSTITUTIONAL PERFORMANCE

The IAs must do auditing on a continuous basis which will result in quarterly reports being submitted to the Municipal Manager and the PAC.

The PAC receives the quarterly reports from the IAs which it reviews together with the PMS's economy, efficiency, effectiveness and impact based on the KPIs and Targets as detailed in the institutional/municipal scorecard. The PAC must submit at least two audit reports to the Council in one financial year.

The Council measures performance based on the quarterly, bi-annual and annual audit reports and the AG's assessment of the latter. The Council must oversee and monitor the design, implementation and evaluation of the performance appraisal system for staff members and ensure the set objectives are in line with the national, provincial and local developmental obligations of the Council.

2. DIRECTORATES AND MANAGEMENT

The Municipal Manager must evaluate the quarterly performance reports from the Directors and use these to inform the steps to be taken to improve performance to meet annual targets and to intervene in case of red flag situations. The Municipal Manager must submit a consolidated quarterly report to the IAs. The Auditors must evaluate these reports together with other information obtained through their auditing obligations and in turn must provide the Municipal Manager with quarterly Audit Reports. The Municipal Manager then submits such reports, as prescribed, to the Council including a consolidated annual report for adoption by the Council.

In terms of the Municipal Performance Regulations, 2006 the Council must do quarterly performance assessments and an annual assessment of the performance of the Municipal Manager and Directors during June/July of each year using the panel as prescribed. Other panelists agreed on are listed in the performance agreements. The Council will determine the weight being assigned to the scoring of each panelist or category of panelists prior to the appraisal process. Also provided for in the performance agreements is the enlistment of an independent facilitator to assist with the annual appraisals.

The Directors must evaluate the quarterly performance reports from the departmental/functional managers and use these to inform their own quarterly reports to the Municipal Manager.

Setting up the performance appraisals of the departmental/functional managers will be the responsibility of the Municipal Manager and Directors and, if so preferred, with the assistance of an independent facilitator. These appraisals will be done as further detailed in the performance agreements of departmental/functional managers prior to the Council's appraisal of the Directors and Municipal Manager.

The Council is committed to implement whatever measures necessary to ensure the legitimacy, trustworthiness and validity of the above performance appraisals. Such measures will inter alia include the continuity of panelists, prior training or guidance to panelists, substantial proof of completed tasks and other accomplishments being required from persons appraised, anonymous scoring by the panelists, the establishment of a 'realistic scoring range' and disqualification of scoring falling outside of the set parameters and computer-based calculation of scoring.

The Directors and departmental/functional managers must ensure the formal and informal performance appraisal interviews/meetings are done by the appraisors within their respective directorates as further set out below, co-ordinate the results thereof and through their own quarterly reports, report on the progress with implementation of the system, successes and failures thereof and problems experienced.

3. STAFF

Departmental/functional managers will be responsible for the performance interviews/meetings with their respective middle management employees. The first round of annual assessments executed for middle management staff could be done with the assistance of an independent facilitator should the staff so prefer but from a cost perspective this practice will be limited. The option of requesting a co-appraiser to be present at their interviews will be available to these employees. Pre-designed and anonymous peer review questionnaires must be completed for employees on post levels 4 to 8 and submitted to the appraiser to be integrated with the other data to be obtained for the performance interview. The results of these questionnaires will be dealt with on a confidential basis.

The appraisals of lower level employees/teams must be carried out by their immediate supervisor or line manager who has the best knowledge of the content of the job concerned and in a position to observe the employee's/team's performance on a daily basis. If no suitable supervisor or line manager is available to do the performance appraisal, the manager of the department unit must take responsibility for the performance appraisal. If an employee/team is of the opinion that exceptional circumstances exist which requires a co-appraiser to be present at the appraisal interview, the matter must be taken up with the relevant Director. In such circumstances the Director of the relevant directorate or the Director of MS or his delegatee could also fulfil the role of a co-appraiser.

The first formal performance appraisal interviews of a staff level newly introduced into the system will take place three months after introduction of the system to such a staff level and thereafter on an annual basis. The steps to be taken to rectify substandard performance or enable continued support, coaching and counselling based on the results of the performance appraisals will be implemented on a continuous basis determined by the circumstances of each individual case through informal performance meetings which must be at quarterly intervals and recorded in writing.

The time and place of annual interviews must be mutually agreed between the appraiser and appraisee. An employee must not be given less than two weeks to prepare for the appraisal interview. The time allowed for the actual interview will vary according to the complexity of the job and each individual's circumstances.

The place where a performance interview/meeting is conducted must be comfortable for both the appraiser and the appraisee and care must be taken that the place is quiet, no interruptions will occur during the duration of the interview/meeting and confidentiality is protected.

Written feedback on the annual performance appraisal must be given to an employee within a reasonable period after the performance interview. A reasonable period would not exceed four weeks.

STEPS IN THE PERFORMANCE APPRAISAL OF STAFF

1. PERFORMANCE APPRAISAL PREPARATION

It is vital that the appraiser and appraisee must co-operate in preparation for a formal appraisal interview to ensure all data relevant to objectively appraise performance is available for the interview. Such data must include the job analysis, a rating sheet containing the pre-determined performance criteria (KPIs and targets) and completed by the appraisee and appraiser separately prior to the interview, and, if applicable, the completion, receipt and integration of anonymous peer review questionnaires by the appraiser.

To enable a holistic perspective of the job, the purpose fulfilled by the job in the directorate, its relation to other jobs whether complementary to these or a necessary prerequisite for other jobs to be accomplished and the overall position of the job within the organisation and its alignment with organisational objectives must be determined by the appraiser.

All the data collected will be condensed in a pre-interview report by the appraiser and the appraisee will be provided with a copy thereof prior to the interview.

The appraisee must be informed that the appraisal interview is an interactive process to give constructive recognition to the duties fulfilled by the employee and to pinpoint areas where the employee can develop further. The appraisee must be reminded to submit supporting evidence for any achievement or problem.

2. PERFORMANCE APPRAISAL INTERVIEW

The appraisee must receive the pre-interview report and other relevant information not less than one week prior to the interview. The structure of the interview must be pre-planned by the appraiser to ensure the relevant issues are addressed and required results achieved. Questions to be dealt with must cover the following areas:

- Clarification of the purpose and aims of the performance appraisal
- Clarification of the position of the appraisee's job within the context of departmental, directorate and organisational aims and objectives
- Discussion of the accuracy of the job analysis and any problems associated with it including confirmation of core tasks and associated responsibilities
- Confirmation of the pre-determined performance criteria
- Discussion of the objectives achieved
- Recognition of personal and professional achievements
- Agreement on the areas for improvement
- Agreement on new objectives
- Prioritisation of objectives and the setting of goals, targets and action plans
- Based on the objectives and goals, identification of training and development needs to be addressed by formal training and/or on-the-job support and coaching
- Establishment of a time frame for the goals and targets to be achieved
- Agreement on the frequency of formal performance appraisal meetings based on the goals and targets and the time frames for these to be met.

The feedback given to the appraisee at the interview must focus in a positive manner on all aspects measured in terms of the appraisal. The approach must be constructive, offering suggestions rather than being predominantly reprimanding. The steps to be taken to rectify problem areas and the timeframes in which such steps will be implemented must be realistic and achievable while being mutually agreed on by the appraiser and appraisee.

The appraiser is responsible to compile a written report of the appraisal interview including an action plan. A copy of this report and a confirmation copy of the action plan must be sent to the departmental/functional manager, the Director and the appraisee within four weeks after the interview took place.

If training is required, the appraiser must communicate such requirements to the responsible departmental/functional manager within MS within two weeks after the appraisal interview. Such communication must be done using the channels agreed on by the LLF.

3. MONITORING PROGRESS OF PERFORMANCE OBJECTIVES

The appraiser must follow up on the action plan with the appraisee within one week after receipt thereof by the appraisee to re-confirm the time frames and establish a reporting procedure based on the standardised performance progress report designed by MS. On an informal level the appraiser must observe the progress made by the appraisee, motivate him/her to implement the action plan, recognise his/her efforts by giving praise where it is deserved, tactfully redirect misguided actions and provide the employee with support in solving observed or reported problems at the informal performance appraisal meetings.

The appraisee must take responsibility for the implementation of his/her own action plans and the submission of progress reports to the appraiser. Any problems experienced must immediately be communicated to the appraiser.

The appraiser must explain to the appraisee what departmental, directorate and organisational systems are available to assist him/her. The appraiser must note that he/she is party to the mutually agreed plan of action and should therefore be committed to ensure that the appraisee puts the plan into action. The appraiser must regard encouragement and support as part of an exercise to build trust and mutual respect.

The consequences of substandard performance must be dealt with in the performance agreements of staff.

EVALUATION AND REVIEW OF THE PERFORMANCE MANAGEMENT AND APPRAISAL SYSTEM

The appraisal system must be evaluated at different levels. The model as further developed by the PMSC must include reference to the mechanisms, systems and processes for auditing the results of the performance measurements as part of its internal auditing processes as set out below.

The auditing processes of the IAs, the AC and the PAC must look at whether the PMS is practical and functioning in terms of the legislative framework and if the measurements (cost, time, resources) are reliable.

Based on the reports received by it and specifically the AG's assessment of the annual report, the Council will obtain an overview of how well performance measured up to what it set out to achieve, which are red flag areas and where improved performance is needed.

PERFORMANCE REPORTING

For the sake of clarity the reporting mechanisms and processes are set out below.

- ✦ The Directors must submit quarterly reports to the Municipal Manager who in turn submit a consolidated quarterly report to the IAs to assist them with their assessment process. Once the PMS has devolved down to the rest of the municipality, each Director and departmental/functional manager must establish the reporting structures, some as already indicated, that would inform his/her quarterly report.
- ✦ The IAs must provide quarterly audit reports to the Municipal Manager and the PAC.
- ✦ The PAC convenes at least twice per annum and at least twice during the financial year it must submit an audit report to the Council. These reports must include enough details so that early warning signals of underperformance can be detected. The reports must also indicate corrective measures where such under-performance has been identified.
- ✦ The Municipal Manager must oversee the compilation of an annual performance report to the Council, which report is then also submitted to the AG.
- ✦ Within seven months after the end of the financial year, the mayor of a municipality must table in the municipal council a **consolidated annual report** for adoption. The media, community, AG and MEC must be informed of the meetings at which this report will be tabled. The minutes of the meeting/s should be provided to the AG and the MEC. The adopted annual report must be made available to the media, public and interested parties and submitted to the MEC.

The Consolidated Annual Report must include:

- ✦ The Performance Report reflecting the:
 - Performance of the Municipality and any service provider based on the KPIs and specifying the extent to which targets were achieved;
 - Measurements taken or to be taken to improve performance;
 - Development and service delivery priorities and targets set for the following year and reasons for significant differences in these targets from the one to the other year;

- A statement by the external auditor concerning the reasonableness of the report.
- ✦ Audited financial statements for the year
- ✦ Annual audit of the AG on the PMS report
- ✦ Any other legislated matters for reporting.

PERFORMANCE IMPROVEMENT

The Council must advise the Municipal Manager on steps to be taken to improve performance based on the AG's assessment. The IDP and institutional/municipal scorecard review processes will provide a barometer of how well the Municipality performed in terms of service delivery and, if as prescribed, the community is provided with the institutional/municipal scorecard, the latter could serve to inform the community's input in the review process. The municipal scorecard model to be further developed by the PMSC must address this aspect in more detail as the IDP review process unfolds.

The training needs of staff, originating from their performance appraisals and fed into the Workplace Skills Plan and addressed by the sourcing of relevant providers and training courses will largely address the internal capacity shortcomings of the Municipality.

PERFORMANCE BONUSES, INCENTIVES AND REWARDS

1. MUNICIPAL MANAGER AND S.57 MANAGERS/DIRECTORS

The performance reward system of the Municipal Manager and the Directors is built into their contracts of employment and performance agreements as prescribed by the **Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006**. Since these regulations only prescribe the percentage parameters in broad terms, i.e. between 10 – 14% of a person’s inclusive annual remuneration package for outstanding performance (score of 75 and more) and between 5 – 9% of a person’s inclusive annual remuneration package for significantly above expectation performance (score of 65 - 74), it is left to the Council to adopt a more specific percentage based approach to ensure any bonuses which may be awarded fairly differentiate between levels of performance within the broader framework. Thus should Resolutions be taken to pay out bonuses, provided the latter is affordable to the Municipality, the following percentages will apply to the rating:

Scores / Bonus Percentages

65 – 66%	-	5%
67 – 68%	-	6%
69 – 70%	-	7%
71 – 72%	-	8%
73 – 74%	-	9%
75 – 76%	-	10%
77 – 78%	-	11%
79 – 80%	-	12%
81 – 84%	-	13%
85% plus	-	14%

2. DEPARTMENTAL/FUNCTIONAL MANAGERS AND OTHER STAFF

Based on the IAs', the AC and the PAC's evaluation of the PMS and the commitment of management and staff thereto, the Council undertakes to investigate the financial, legal and institutional feasibility of performance rewards for departmental/functional managers and other staff and to adopt a Rewards and Incentives Policy in this regard. The criteria to be used will be the following:

- ✦ There should be measurable assessment criteria based on the IDP and municipal scorecard and individual/team scorecards;
- ✦ There should be a formal assessment against these criteria through the appraisal system as detailed in this policy and further in performance agreements;
- ✦ The results of these assessments should be clear enough and of such a standard that a pre-determined scale of rewards could be based thereon;
- ✦ In the case of financial rewards, the annual budget must be able to provide for it;
- ✦ An incentive and reward system should not be in conflict with any local government legislation or binding ruling given by the Department of Provincial and Local Government (dplg), SALGA and/or the South African Local Government Bargaining Council (SALGBC).

MUNICIPAL ENTITIES AND CONTRACTED SERVICE PROVIDERS

In terms of the MSA and as further required by the MFMA, the Municipality must ensure that it measures the performance of municipal entities and contracted service providers and include such KPIs and targets in its own system of scorecards. E.g. if the municipality acting as water services authority enters into service agreements with water services providers, the KPIs and targets of the institutional scorecard, the relevant director or directorate scorecard and that of the individual managing and monitoring the contract must include performance indicators and targets applicable to these providers.

This legislative mandate is further spelled out in section 46 of the MSA which requires that the municipality must, for each financial year, prepare a performance report reflective of the performance of each external service provider during that financial year and that the annual performance report should be part of the municipality's annual report.

Furthermore, the Municipality must, in terms of section 72 of the MFMA, submit a mid-year budget and performance assessment by the 25th of January each year.

The regulations published in terms of section 19(5) of the Water Services Act also refer to a performance review as a compulsory obligation in respect of any WSA-WSP contractual relationship, the Municipality being the Water Services Authority (WSA) and a contractor being a type of Water Services Provider (WSP).

The performance review as contemplated is only possible if a contract in question is properly managed and monitored. Section 116 of the MFMA obliges a municipality to do such management and monitoring and provides guidance on how this is to be done. Briefly, it requires that the contract be properly enforced, the contract's performance be monitored on a monthly basis and capacity be established to oversee the day-to-day management of the contract with regular reporting to the Council.

ENVISAGED APPENDICES

✦ Performance Rewards and Incentives Policy

The following documents could also be appendices to this policy. These documents will be designed by MS in consultation with other relevant role-players and agreed to by the LLF. The documents will be added as formal appendices after approval thereof by the Council or its delegatee.

- ✦ Standardised job analysis form and guidelines in synergy with TASK
- ✦ Training guidelines applicable to appraisors
- ✦ Standardised performance rating sheets for non-supervisory and supervisory personnel
- ✦ Standardised personal rating questionnaires for appraisors and appraisees
- ✦ Standardised peer review rating questionnaires
- ✦ Standardised interview procedure and process report
- ✦ Standardised performance progress report
- ✦ Standardised performance appraisal evaluation forms for appraisees and appraisors.

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