



MAY 2022

**PERFORMANCE MANAGEMENT
FRAMEWORK**

2022

iLembe District Municipality
PMS Unit

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1. Introduction

The Municipal Systems Act (MSA) of 2000, Chapter 6, S:38 mandates municipalities to establish performance management systems, and the Planning and Performance Management Regulations of 2001 describes the municipality's performance management system as consisting of a framework that articulates and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted.

Furthermore, the MSA and the Municipal Finance Management Act of 2003 (MFMA) requires 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 Top Layer Service Delivery and Budget Implementation Plan (SDBIP) and Performance Plans.

Thus the IDP, the budget and the municipality's performance are linked. In relation to these provisions, the performance management of Section 54/56 Managers must align with the implementation of the IDP, and this is now regulated in terms of the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006.

Performance management is a process which measures the implementation of an organization's strategy. At the local government level, this has become imperative, with economic development, transformation, governance, financial viability, service delivery and **cross cutting** 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. The National government has also found it necessary to institutionalize and provide legislation on the performance management process for local government.

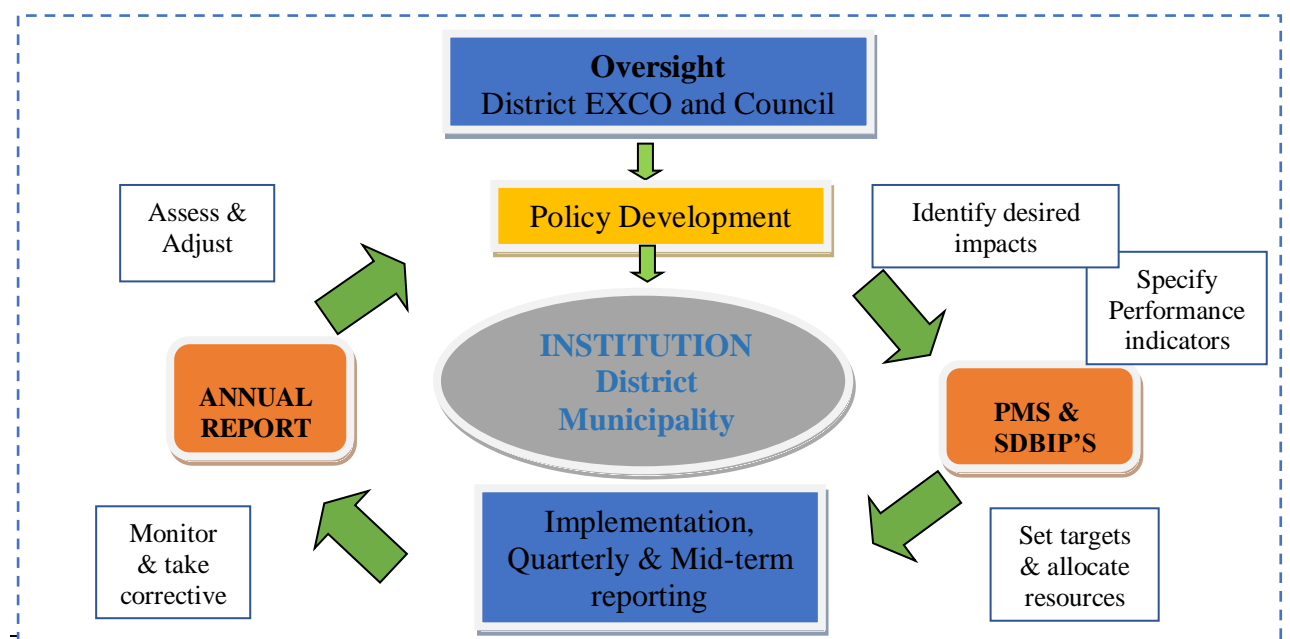
iLembe District Municipality adopted the PMS Framework in June 2012 and is thereafter reviewed annually. The purpose of this document is to have a performance

management policy framework that encompasses a Performance Management System that must be adopted by the municipal council. **The legislation does not indicate that the framework must be adopted annually, currently it is being done as good practice at iLembe, so that council adopts the framework for implementation for the new financial year.**

The Policy Framework will reflect the linkages between the IDP, the Budget, the Top Layer, SDBIP and Performance Plans of the municipality. This document will therefore incorporate recently promulgated legislation and policies and outline the roles and responsibilities of different stakeholders. As required by MSA, 2000 and the Planning and Performance Management Regulations, 2001, this Policy Framework sets out:

- The objectives of a performance management system;
- The principles that will inform the development and implementation of the system;
- A preferred performance model that describes what areas of performance will be measured by the municipality;
- The process by which the system will be managed;
- Auditing of the municipality’s performance;
- Compliance to critical dates and timelines; and
- The roles and responsibilities of different stakeholders.

Performance Cycle:



2. Policy and Legal Context for Performance Management

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
- The Directive: Performance Information 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 , 32 of 2000
- The Municipal Planning and Performance Management Regulations, 2001
- The Municipal Finance Management Act, 56 of 2003; and
- The Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006.

Summaries of very important provisions relating to organisational performance management are thus set out hereunder.

A. The Local Government: 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;
- 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 (KPI's) as a yardstick for measuring performance;
- Set targets and monitor and review the performance of the municipality based on indicators linked to their IDP;
- Monitor, measure 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 Local Government: Municipal Finance Management Act, 2003;
- Incorporate and report on a set of general (sometimes also referred to as national) indicators prescribed by the Minister responsible for local government;
- Conduct on a continuous basis an internal audit of all performance measures;
- Have their annual performance report audited by the Auditor-General; and
- Involve the community in setting indicators and targets and reviewing municipal performance.

Section 55 to 58 of the Act outlines 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

According to Regulation 8 of the Municipal Performance Regulations of 2001, the performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

The Regulations provide that a municipality's PMS must:

- Entail a framework that describes and represents how the municipality's cycle and process of performance management, including measurement, review, reporting and improvement, will be conducted;
- Comply with the requirements of the Systems Act;
- Relate to the municipality's employee performance management processes and be linked to the municipality's IDP ; and that:
- A municipality must:
 - ✓ Set key performance indicators (KPI's) including input, output and outcome indicators in consultation with communities;
 - ✓ Annually review its KPI's;
 - ✓ For each financial year set performance targets;
 - ✓ Measure and report on the seven 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;
 - ✓ Appointment of a performance audit committee;

C. The Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA)

The Municipal Finance Management Act, 2003 also contains various important provisions relating to performance management. Section 53 (1) states the following:

(c) The mayor of a municipality must take all reasonable steps to ensure that-

(ii) The municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget;

(iii) the annual performance agreements as required in terms of Section 57 (1) (b) of the Municipal Systems Act of the municipal manager and all senior managers

(3) The Mayor must ensure-

(a) that the revenue and expenditure projections for each month and a service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan.

The SDBIP requires a detail of five necessary components and these are:

- I. Monthly projections of revenue to be collected for each source;
- II. Monthly projections of expenditure (operating and capital) and revenue for each vote;
- III. Quarterly projections of service delivery targets and performance indicators for each vote;
- IV. Ward/Local Municipality information for expenditure and service delivery; and
- V. Detailed capital works plan broken down by ward/Local Municipality over three years.

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

This legislation regulates the management of the Section 54/56 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

3. Objectives and Benefits 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 informed decision-making.

The objectives are also for the performance management system to serve as a primary mechanism to monitor, review and improve the implementation of the iLembe District Municipality's IDP. Performance management is viewed as a tool that will improve the overall performance of the municipality.

Adopting a performance management system is beneficial in that it identifies major or systematic blockages, timeously, ensures accountability between community, the political leadership and the administration of the municipality, and the system provides early warning signals so that corrective action can be taken on a regular basis.

4. Preparing for Performance Management

Delegation of Responsibilities

The Municipal Systems Act (2000) places the responsibility of adopting a Performance Management System (PMS) on the Council, while holding the Executive Committee responsible for the development and management of the system.

The Executive Committee of the iLembe District Municipality 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 and the Executive Committee, who in turn forwards it to Council for approval. 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.

5. Development of the Performance Management System

The alignment between the IDP, budget and the Top Layer & SDBIP

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.

The IDP delivers a number of products that translate to the formulation of the municipal budget, the development of an annual Top Layer/SDBIP and the Senior Manager's performance plans for the municipality. The IDP process should deliver the following products in relation to performance management:

- An assessment of development in the municipal area, identifying development challenges, marginalised and vulnerable citizens and communities;
- A long-term development vision for the municipal area that overcomes its development challenges;
- Key Performance Areas and objectives, based on identified needs, achievable in the current term of office, that would contribute significantly to the achievement of the development vision for the area;
- A set of internal transformation strategies, priorities and objectives, whose achievement would enable the delivery and the realisation of the development vision;
- Programmes and projects identified which contribute to the achievement of the above objectives;
- High level Key Performance Indicators and Performance targets that will be used to measure progress on implementation of projects and progress towards attainment of the objectives and the vision; and
- A financial plan and medium-term income and expenditure framework that is aligned with the priorities of the municipality;

The municipality have established structures for consultation, oversight and management of integrated development planning. These include the:

- The IDP Representative Forum; and
- IDP Izimbizo per annum

The municipality has structured its delivery priorities in the IDP under the following 6 Key Performance Areas (KPA's):

1. Municipal Transformation and Institutional Development
2. Good Governance & Public Participation
3. Municipal Financial Viability & Management
4. Cross Cutting
5. Basic Service Delivery and;
6. Local Economic Development

The IDP planning process has resulted in the formation of the above key performance areas, and these have been translated into objectives, and Performance Indicators as well performance targets have been developed. The above elements are reviewed annually within the period of July and March which occurs simultaneously with the implementation of the IDP.

Developing and Adoption of the Top Layer/SDBIP and performance plans

The above results of the 5-year IDP and the annual reviews result in the development of the Top Layer SDBIP and performance plans on an annual basis. These documents give effect to the Integrated Development Plan (IDP) and the budget of the municipality and are effective if the IDP and budget are fully aligned with each other, as required by the MFMA .

The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. The Top Layer/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.

The Municipal Manager is responsible for the preparation of the Top Layer/SDBIP, which must be submitted to the Mayor for approval once the budget has been approved by the council. However, the Municipal Manager should start the process to prepare the first draft of the Top Layer/SDBIP no later than the tabling of the first draft budget to Exco.

The Municipal Systems Act, Section 57 (2) (a) (ii) states that the performance agreement must be concluded annually within one month after the beginning of each financial year of the municipality.

From the above detail, it is clear that the IDP informs the municipality's Top Layer/SDBIP and performance plans concepts by delivering the KPA's, strategic objectives, high-level indicators and targets. These concepts are the ones that make up the Top Layer/SDBIP and the performance plans.

Community involvement in the setting of KPI's

As stated in the *Local Government: Municipal Planning and Performance Management Regulations, 2001, Chapter 3*

7. (1) A municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

(2) In developing its performance management system, a municipality must ensure that the system:

- (a) complies with all the requirements set out in the Act;
- (b) demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- (c) clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;

Community involvement can also be acquainted with the IDP/PMS roadshows that are conducted annually, in which these roadshows are held to gain insight into the needs of the community.

Another way of community involvement will be done through the ward committee members/ Councillors through the local municipalities, the document will be sent through to them to assist in getting input.

6. Principles Governing Performance Management

In developing its Performance Management System, the iLembe District Municipality will be guided by the following principles:

- A. Simplicity, integration, objectivity, transparency and accountability, that it must be politically-driven and that its implementation must be incremental;
- B. Both development and implementation of the system must be driven by top management and council;
- C. The system must be owned by all relevant stakeholders within the municipality and supported by other spheres of government;
- D. Communication must occur at all levels;
- E. The value of having the performance management system must be understood by all role players and stakeholders;
- F. The system must place the community at the centre of the local government processes
- G. The system should not be punitive, but be developmental;
- H. The system must be developed and implemented within the available capacity and resources of the municipality;
- I. The system should align to other municipal initiatives, systems and processes; and
- J. The system must provide learning and growth opportunities through the coaching and review processes.

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

- Is developmental and not punitive in nature as employees will be 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, and these must be agreed upon;
 - A balance between organizational needs and employee needs.
- Allows for joint responsibility and accountability based on mutual trust and respect;
- Is cost-effective and practical and enhances improvement on quality;
- Is applied consistently and documents formal and informal feedback;
- Is applied equitably and fairly;
- Allows for honesty and transparency in application;
- Provides clear linkages between performance and recognition and reward;
- Provides clear guide on dealing with poor or non-performance.

7. Why and How to Monitor and Review Performance

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.

Performance measurement involves determining the extent to which objectives are being achieved through developing indicators and linking them to targets and related standards. Review of performance against set targets is undertaken on a quarterly and annual basis. A performance measurement framework is a practical plan for the municipality to collect, process, organise, analyse, audit, reflect on and report performance information.

A performance measurement model is a system that is used to monitor, measure and review performance indicators within the above performance measurement framework. It is a choice about what aspects or dimensions of performance will be measured. It is 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.

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;
- Different models differ enormously on what is viewed as key aspects of performance (Key Performance Areas) and can help organizations make their own decisions on a model that fits their context;
- 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.

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 level 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 diagnose blockages in the system timeously.
- f. It must be easy to replicate to all other levels.
- g. It must be easy to integrate with other municipal systems and processes.

Why iLembe District Municipality will adopt the Key Performance Area Scorecard Model?

With recent developments through the adoption, by national cabinet, of the 5-Year Local Government Strategic Agenda that aligns local government with the national programme of action, it became imperative ensure that the municipal scorecard is aligned with the 6 KPA' for local government.

The iLembe District Municipality will align this framework to the Key Performance Area Scorecard Model and its performance will be grouped under the following 6 Key Performance Areas:-

NATIONAL KPA'S	DESCRIPTION
1. Local Economic Development	In this perspective the municipality will assess whether the desired development indicators around the performance area of local and economic development is achieved.
2. Basic Services Delivery	This perspective will assess the municipality's performance in the overall delivery of basic and infrastructural services.
3. Municipal Financial Viability and Management	This perspective will measure the municipality's performance with respect to the management of its finances.
4. Municipal Institutional Development and Transformation	This area relates to input indicators that measure the functioning of the municipality under areas such as human resources, ICT, legal and support services.
5. Good Governance and Public Participation	This area will measure the municipality's performance in relation to its engagement with its stakeholders in the process of governance, established and functioning governance structures, performance management, risk management and internal audit.
6. Cross Cutting	This perspective will measure the municipality's performance in spatial planning, disaster management, environmental management/health and catalytic projects

8. Developing the Top Layer/SDBIP and Outlining the Concepts

During the IDP process a corporate vision and mission was formulated for the iLembe District Municipality, together with national KPA's, development objectives and KPI's which feed into the vision and mission. It is now necessary to take this process further into the performance management system, by developing a Top Layer/SDBIP that will encompass all the relevant areas or concepts that will allow measurement of the performance of the organization and the Municipal Manager using this Top Layer/SDBIP.

This will be done by using relevant concepts to populate the Top Layer/SDBIP and of the iLembe District Municipality. This process of developing the Top Layer/SDBIP and will be followed every year after adoption of the IDP and the budget. An illustration of some of the components of the Top Layer/SDBIP is reflected in figure 3 below.

Top Layer Concepts:

Step 1	Outline the National Key Performance Areas
Step 2	Define departmental objectives
Step 3	Formulate appropriate development objectives (IDP Objectives)
Step 4	Develop suitable Key Performance Indicators (KPI's)
Step 5	Provide baseline information
Step 6	Set targets for each KPI, per quarter
Step 7	Allocate responsibility to departments for execution of actions

In the following paragraphs are explanatory notes expanding 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 National KPA's.

Step 2: Departmental objectives

The departmental objectives are an explanation of what is the main aim of the KPIs and targets set out to achieve organisational objectives as indicated in the IDP.

Step 3: Formulating Appropriate Development Objectives

The next step involves the setting of at least a maximum of five (5) high level objectives per KPA. An objective is a measurable statement of intent, measurable either quantitatively or qualitatively. It's a series of elements of the vision or mission broken down into manageable quantities.

There is no hard-and-fast rule about how many objectives to set, but it is important to make it manageable and realistic and it is therefore advisable to limit the number of objectives that are developed for each KPA.

Example of a developmental objective that is aligned with the KPA:

KPA = Service Delivery:
Objective = "To ensure continuous and sustainable provision of water services."

Step 4: Developing Suitable Key Performance Indicators (KPIs)

The fourth step involves determining necessary Key Performance Indicators, which define what needs to be measured in order to gauge progress towards achieving the development objectives discussed in the previous step. KPI's must be measurable, relevant, simple and precise. They simply define how performance will be measured e.g. numbers, percentage, date of approval etc.

KPI's are 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.

The National General indicators are prescribed in terms of Section 43 of the Municipal Systems Act and provided for in Regulation 10 of the 2001 Performance Regulations. The municipality's Top Layer SDBIP must incorporate these indicators. **Core local government indicators are as follows:**

- 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 **R4 000** 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 is as follows:

$$(i) \quad A = \frac{B - C}{D}$$

Where:

"A" represents debt coverage

"B" represents total operating revenue received -

"C" represents operating grants

"D" represents debt service payments (i.e. interest + redemption) due within the financial year;

$$(ii) \quad A = \frac{B}{C}$$

Where:

"A" represents outstanding service debtors to revenue

“B” represents total outstanding service debtors
“C” represents annual revenue actually received for services;

$$(iii) \quad A = \frac{B+C}{D}$$

Where:

“A” represents cost coverage

“B” represents all available cash at a particular time

“C” represents investments

“D” represents monthly fixed operating expenditure,

In compliance with the Municipal Systems Act, S: 93B - A parent municipality which has sole control of a municipal entity, or effective control in the case of a municipal entity which is a private company -

(a) must ensure that annual performance objectives and indicators for the municipal entity are established by agreement with the municipal entity and included in the municipal entity’s multi-year business plan in accordance with section 87 (5) (d) of the Municipal Finance Management Act;

(b) must monitor and annually review, as part of the municipal entity’s annual budget process as set out in section 87 of the Municipal finance Management Act, the performance of the municipal entity against the agreed performance objectives and indicators.

iLembe District Municipality facilitates the setting of annual performance objectives and indicators for the municipal entity.

Step 5: Types of Indicators (KPI’s)

The following indicators can be considered when setting indicators:

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. These are indicators that measure the costs, resources and time used to produce an output;

Process indicators:

These indicators describe how well the municipality uses its 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 that measure the results of activities, processes and strategies of a program of the municipality. They refer to “products” produced by processing inputs (i.e. the end point of an activity). An example of an output indicator is “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 quality and or impact of an output on achieving a particular objective. 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 diagnostic 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.

Step 6: Determining Baseline Indicators

Once the indicators are set in the scorecard, the next step is to determine the baseline indicator. 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.

However, since baselines can only be determined in the last quarter every year, the quarter 3 actuals will be used as baselines when preparing the new year indicators, since the preparation commences before the monitoring year ends in instances where baselines cannot be established.

When quarter 3 actual is not applicable (N/A) or not reported, bi-annual actual will be used as a baseline, or in instances where there is only annual targets the previous year's annual actual will be used. The baseline reported at the end of the monitoring period will then be updated/corrected during the mid-term amendment process of the Top Layer SDBIP and performance plans.

Step 7: Setting Performance Targets

The next step is to set performance targets for each identified KPI. Performance targets should comply with the "SMART" principle:

- ✓ Specific: the nature and the required level of performance can be clearly identified
- ✓ Measurable: the required performance can be measured
- ✓ Achievable: the target is realistic given existing capacity
- ✓ Relevant: the required performance is linked to the achievement of a goal
- ✓ Time-bound: the time period or deadline for delivery is specified

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 departments concerned create false expectations and also set themselves up for failure.

Setting of targets must also be in line with budget allocations for example, if the budget for the new financial year has reduced when compared to the previous financial year, targets could be lower than the baseline, **as well as considering challenges experienced beyond the municipality's control and their impact on targets.**

Step 8: Allocating Responsibility

It is also necessary to decide who takes responsibility for what actions. In the case of the Top Layer/SDBIP responsibility would be allocated to a Department. In regard to performance plans a responsible individual will be placed against an indicator. This is

also a way of cascading the responsibility from the strategic level down to the operational level and from the organisational objectives right down to individual performance monitoring. In this way individual employees can exactly know what their roles are in achieving the strategic objectives of the municipality.

9. The Process of Managing Organizational Performance

Co-ordination

Co-ordination involves the overall responsibility of and carrying out the function of, and being the custodian of iLembe District Municipality's performance management system and managing the system on behalf of the Municipal Manager. This is a strategic function which resides in the Office of the Municipal Manager.

The co-ordination of the implementation phases of the PMS will be the function of the Performance Management Unit which will be responsible for the following core activities:

- Responsible for the co-ordination of the development and implementation activities of the organisational PMS, through interaction with all relevant stakeholders;
- Ensuring and overseeing the implementation of this Performance Management Framework and compliance to all performance legislative requirements in respect of the implementation of the PMS;
- Providing regular support and capacity to the different departments in developing departmental performance plans;
- Continuously providing technical support to the Municipal Manager and the Senior management team with implementation, assessment, review, monitoring and information management;

- Providing capacity for analysing organizational performance information submitted by Senior Managers on a quarterly, mid-term and annual basis in preparation for reporting;
- Responsible for co-ordination and compiling the annual Section 46 performance report;
- Ensuring that all quarterly, mid-term and annual organizational performance reports are submitted to relevant stakeholders timeously, for example, quarterly, mid-term and annual performance reports to Exco, Council, the Auditor General, MEC and the public (through website; print media notification & a copy available for viewing at municipal offices).

10. Implementing the 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

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.

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 the evaluation of the IDP process.

Step 1:

The Top Layer/SDBIP of the iLembe District Municipality will be laid out in a simple spreadsheet as indicated below:

The iLembe District Municipality Top Layer SDBIP and Performance Plans Template (adopted as the Key Performance Area)

NATIONAL KPA	IDP OBJECTIVE	KPA	BACKLOG	BASELINE	KPI's	UNIT OF MEASURE	ANNUAL TARGET	1 ST QUARTER TARGET	HALF-YEAR TARGET	3 RD QUARTER TARGET	4 TH QUARTER TARGET	RESPONSIBLE DEPARTMENT
Basic Service Delivery	To ensure continuous and sustainable provision of water services	Water Projects	50,277	3609	Number of hh with access to water	Number	2745hh	N/A	N/A	N/A	2745hh	Technical Services
	To ensure continuous and sustainable provision of sanitation services	Sanitation Projects	53,452	1650	Number of hh with access to sanitation	Number	1268hh	N/A	N/A	N/A	1268hh	Technical Services

Step 2:

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 Agreements 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 individual performance management.

The Mayor must ensure to publicize a notice informing the public of the approved the Top Layer SDBIP and performance plans and the Section 54/56 Performance Agreement as per the provisions of Section 53(3) of the Municipal Finance Management Act.

The iLembe District Municipality will use the following publicity platforms to publicise the above documents:

- The municipal website
- Publication notices/Adverts
- Available for public viewing at municipal offices for comments/input.

The Mayor must also ensure compliance and submit copies of the Top Layer/SDBIP and the performance agreements of all the Section 54/56 Managers to the MEC for Local Government in the KwaZulu-Natal 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. The iLembe District Municipality will use both paper-based **in terms of reports submitted to relevant stakeholders and an automated PMS system where management will capture actuals and upload evidence as we have a fully implemented system through ACTION IT and Munsoft.** 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 iLembe District 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. **This evidence will then be uploaded on the PMS automative system (Action IT). This evidence will be used as portfolio** for purposes of performance measurement, performance review and audit in the other phases.

The roles and responsibilities for monitoring are allocated as follows:

- **Municipal Manager** – The municipal manager is responsible for reporting on the Top Layer/SDBIP.
- **Senior Managers** – The Senior Managers will collate departmental information on a monthly, quarterly and annual basis of their performance plans
- **EXCO/Council** – The Municipal Manager will submit quarterly/annual performance reports on all the indicators in the Top Layer/SDBIP and performance plans to EXCO/Council for approval.

Phase 3: Measurement and Analysis

Performance Measurement is essentially the process of analysing the data provided by the above Performance Monitoring System in order to assess performance. At organisational level, Performance Measurement is formally executed on a quarterly basis, whilst Performance Measurement at departmental level is done on a quarterly basis with monthly progress reports prepared.

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 6 Key Performance Areas (KPA's), indicators, and targets.

Performance rating

N/A	KPI Not Yet Applicable	KPIs with no targets or actuals in the selected period.
R	KPI Not Met	0% <= Actual/Target <= 98.999%
G	KPI Met	Actual meets Target (Actual/Target = 100%)
G2	KPI Well Met	100.001% <= Actual/Target <= 149.999%
B	KPI Extremely Well Met	150.000% <= Actual/Target

The table above indicates the rating as per the PMS Automative system – Action IT.

A variance of 10% will be accepted during the performance rating process. Where reported actual is below or above annual projections, a target met rating will apply in line with appropriate variance explanations.

Who has the Responsibility of Conducting Performance Reviews in iLembe District Municipality?

The quarterly reports from the Top Layer SDBIP and performance plans, the results of the measurement revealing the level of performance in each department, the Mayor & Municipal Manager and Senior Managers & the Municipal Manager must conduct one-on-one performance review, to ascertain the level of comfort and

confidence in achieving set targets, and to understand the challenges that the Senior Manager might be facing in achieving results.

The performance review must be recorded and signed off by the Mayor/Municipal Manager/Senior Manager's as evidence.

Senior Manager's will also review the performance of managers reporting directly to them on a quarterly basis.

Mayor

The Performance Management System of iLembe District Municipality is designed in such a way that it allows the Mayor with his Executive Committee to strategically drive and manage performance in the organisation. Reviews at this level will remain strategic between the Mayor and the Municipal Manager.

In order for this review to be strategic it is recommended that the Mayor review performance quarterly, with the second quarter report taking the form of a mid-term review, as provided for by Section 72 of the MFMA and the final quarterly review taking the form of an **annual performance appraisal**. The content of the review should be confined to the adopted 6 KPA's and objectives. The Municipal Manager will remain accountable for reporting on performance at this level.

EXCO/Council

All quarterly and annual performance reports are submitted to Exco/Council for approval.

The Public

The public will be involved in reviewing municipal performance at least annually, in the form of the IDM annual report.

While good and excellent performance must also be constantly improved to meet the needs of citizens and improve their quality of life, it is poor performance that

needs to be improved as a priority. Poor performance may arise out of one or more of the following:

- Poor systems and processes
- Inappropriate structure
- Lack of skills and capacity
- Inappropriate organisational culture
- Absence of an appropriate strategy and departmental business plans that lay the foundation for optimum performance.

Improving Performance

In order to improve performance, the iLembe District Municipality, throughout the performance management phases, will analyse the causal and contributory reasons for poor performance, through performance reviews from top to lower levels of the administration and appropriate response strategies will be developed. These will include, inter alia:

- Restructuring as a possible solution for an inappropriate structure;
- Process and systems improvement strategies to remedy poor systems and processes;
- Training and sourcing additional capacity where skills and capacity shortages are identified;
- Change management and diversity management education programmes to address organisational culture;
- Review of the IDP where councillors will address shortcomings in the strategy;
- Development of appropriate departmental business plans and operational plans to guide performance in each department; and
- Where results show no chance of improvement through internal measures, alternative service delivery mechanisms shall be considered.

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 main feature of the reporting phase is the production of the Annual Performance 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 performance plans throughout the year and one performance report will be compiled as per the requirements of Section 46 of the Municipal Systems Act. Since iLembe District Municipality adopted the Key Performance Area Model, its annual performance report will reflect its performance results clustered in the following 5 Areas:

- Under the Local Economic Development, the municipality will reflect results achieved on indicators around the performance area of social and economic development. This area measures the outputs on socio-economic development in the municipality.
- Under the Basic Service Delivery the municipality will reflect its annual performance achievements in the overall basic service.
- Under the Municipal Financial Viability and Management the annual performance report will reflect the municipality's performance with respect to the management of its finances. It has to reflect the results of the process and indicators in relation to the impact on the financial management systems achieved on overall financial viability of the municipality.
- The Municipal Institutional Development and Transformation and will report on indicators that measure the functioning of the municipality under areas such as human resources, ICT, legal and support services.
- Under the Good Governance and Public Participation, the municipality's annual performance 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, risk management, internal audit and performance management.

- Under Cross Cutting this perspective will measure the municipality's performance in spatial planning, disaster management, environmental management/health and catalytic projects.

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 different stakeholders using the 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 as follows:

- iLembe District Municipality reporting to Communities, through IDP review processes.
- Mayor and the Executive Committee reporting to Council;
- Municipal Manager reporting to the Mayor and the Executive Committee;
- Senior Management reporting to the Municipal Manager and Manco.

Tracking and Managing the Reporting Process

To ensure that the reporting processes run 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:

- Inform management of deadlines
- Prepare logistics for reporting;
- Track and monitor reporting processes;
- Analyse departmental performance reports;
- Ensure the quality of reports are at optimum level before finalisation.
- Compile quarterly and annual performance reports, and

- Review the reporting process and suggest improvements.
- **Top Layer and departmental reports are extracted from the PMS automative system – Action IT**

Auditing Performance

In order for the performance management system to ensure credibility and legitimacy from the public and other stakeholders, performance reports, 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, before being tabled and made public, the annual performance report will also be audited by the Auditor-General.

After being reviewed the annual performance report must then be submitted to the Auditor-General before or on 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.

Publication of Performance Reports

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

- Publication of reports on the municipal website
- Available for public viewing at municipal offices for comments/input.

The municipality will also submit performance reports to the MEC and the Auditor General as provided for by the Municipal Systems Act and the Municipal Finance Management Act.

Internal Auditing of Performance Measurements

I. The Internal Audit Unit of the iLembe District 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 iLembe District Municipality has complied with the Regulations by establishing an Internal Audit Unit. The Internal Audit Unit will be responsible for the assessment of the functionality of the system, whether the municipality's complies with the provisions of the acts, and to validate whether the municipality's measurement (Indicators) both the municipalities and National government's are reliable.

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 Ilembe District Municipality in its organizational scorecard are concerned;
- c. make recommendations in this regard to the municipal Council and the Board of the entity; and
- d. at least twice during a financial year submit an audit report to the municipal Council and the Board of the entity;
- e. communicate directly with the council, the Board of the entity, Municipal Manager, CEO or the internal and external auditors of the municipality and the entity;
- 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 in the performance of its duties and the exercise of its powers.

The iLembe District Municipality has appointed the Audit Committee which deals with financial and performance information.

11. 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 iLembe District 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.

DESIGNATION	ROLE	RESPONSIBILITIES
Municipal Manager	Monitoring	<ul style="list-style-type: none"> • Manages the development of the performance management function/framework • Ensure that a high level Top Layer/SDBIP, linked to the IDP and budget is developed • Ensure that all role players implement the provisions of the PMS framework • Receives performance audit findings from Internal Audit. • Submits all reports on performance to EXCO and Council for adoption/approval.
Performance Management	Establish, monitor and control	<ul style="list-style-type: none"> • Ensure compliance with applicable legislation. • Establish a performance management system for the municipality • Promote a culture of performance management among its political structures, political bearers and Councillors and its administrators • Administer the PMS in an effective and efficient and accountable manner • Establish a framework which demonstrates the operation and management of Performance Management that must be reviewed annually if necessary. • Ensure PMS links to the Integrated Development Planning and budget processes • Ensure that key performance indicators in respect of development priorities and objectives are set • Obtain quarterly information on progress on targets set in the Top Layer/SDBIP and performance plans • Ensure that performance targets are set • Develop and mechanisms, systems, and processes for monitoring, measurement and review of performance • Establish a process of regular reporting to the council, political office bearers and staff, the public and appropriate organs of the state • Prepare quarterly and reports on the Top Layer/SDBIP and performance plans • Revisions to the Top Layer SDBIP and performance plans may only be made if necessary, with the approval of the Council following the approval of an adjustment budget. • Ensure that early warning system is in place to detect indications of under-performance

		<ul style="list-style-type: none"> • Ensure corrective measure for under-performance have been identified. • Ensure that all performance reports are submitted to the Audit Committee
Municipal Council/ Executive Committee	Approval and Oversight	<ul style="list-style-type: none"> • Approves/Adopts the PMS framework • Approves/Adopts Priorities and objectives of the IDP • Approves/Adopts Municipality’s corporate strategy that includes KPI and Performance targets • Approves/Adopts the reviews of KPI’s and target • Approves/Adopts changes to priorities, KPI’s and targets
Executive Committee	Oversight	<ul style="list-style-type: none"> • Assigns the responsibility of development to the Municipal Manager • Submits the PMS framework to council • Submits the objectives of the IDP to council • Approves/Adopts the Top Layer SDBIP and performance plans • Assigns the responsibility for management of the PMS to the Municipal Manager • Quarterly approves/adopts the performance of the municipality.
Internal Audit	Monitor and review	<ul style="list-style-type: none"> • Assess the functionality of the PMS • Ensure the system complies with the Act • Determine whether the performance measurements are reliable in measuring performance • Continuously audit the performance measurements of the municipality • Submit quarterly reports on the audits to the municipal manager and the performance audit committee
Audit Committee	Oversight review	<ul style="list-style-type: none"> • Must meet quarterly during financial year • Review quarterly reports • Review the municipality’s performance management system and make recommendations to Council • Submit an audit report to Council at least twice during the financial year

DESIGNATION	ROLE	RESPONSIBILITIES
Senior Management	Implementer	<ul style="list-style-type: none"> • Set KPI’s and targets • Determine responsible persons • Ensure that plans are put in place to meet set targets • Ensure that the performance objectives in the performance agreements are achieved. • Provides quarterly information that feeds to the Top Layer/ SDBIP and performance plans on the PMS automotive system • Retains evidence of all items reported on performance

Local community	Oversight	<ul style="list-style-type: none"> • In setting key performance indicators, a municipality must ensure that communities are involved. • A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it. • Community involvement can also be acquainted with the IDP/PMS roadshows that are conducted annually, in which these roadshows are held to gain insight into the needs of the community. • Another way of community involvement will be done through the ward committee members/ Councillors, the document will be sent through to them to assist in getting input.
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12. Responding to Organizational Performance

Good or Exceptional Performance

In South Africa, good and outstanding organizational performance by municipalities is rewarded through the provincial and national Municipal Excellence Awards. The criteria used in the awards is to identify municipalities that have performed exceptionally well, is through the assessment of achievements within the 6 KPA's. It is therefore, a wise move by iLembe to adopt the Key Performance Area Model as it places its performance measurement along the 5 KPA's and can easily evaluate itself if it is ready for the awards nominations.

Poor Performance

Poor performance in municipalities is often characterised by disclaimers and adverse opinions from the Auditor General and community actions for inadequate service delivery. The worst measure that is taken for worst performing municipalities is the Section 139 intervention by the MEC for Local Government in the province.

The effective implementation of this framework and the different roles and responsibilities that will be played by different stakeholders will serve as an early warning mechanism for the iLembe District Municipality to keep ahead in performance and to effect corrective measures timeously in any of the weak functional areas identified by the performance management system.

13. Employee Performance Management

Legal Framework that guides Employee Performance Assessments

The local government legislation has provided guidance on managing and rewarding performance of Section 54/56 Managers, i.e. the Municipal Manager and all Senior Managers directly accountable to him/her.

The 2006 Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager make special provisions for employment and managing performance of these employees.

The following are the conditions outlined in the regulations as follows: -

- Section 54/56 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 Agreement must be signed on each financial year or part thereof;
- The **performance agreement** must be concluded within **60 days** after a person has been appointed as the Municipal Manager or as a Manager directly accountable to the Municipal Manager
- 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 at (80%) and Leading and Core Competency Requirements (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 2006 Municipal Performance Regulation for Municipal Managers and managers directly accountable to Municipal managers in section 27(4) (f) states “that the manager responsible for human resources of the municipality must provide secretariat services to the evaluation panel.”
- 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.

Performance Bonuses

A performance bonus ranging from a minimum of 5% - 14% maximum of the all-inclusive remuneration package may 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%;

The table herewith stipulates the guidelines on the exact % paid out according to the scores achieved:

Score achieved	Bonus paid
130% – 135%	5%
136% - 140%	7%
141% - 145%	8%
146% - 149%	9%
150% - 155%	10%
156% - 160%	12%
161% and above	14%

In accordance with regulation 32 of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006. A performance bonus, based on affordability, may be paid to the employee, after:

1. The annual report for the financial year under review has been tabled and adopted by the municipal council;
2. An evaluation of performance in accordance with the provisions of regulation 23; and
3. Approval of such evaluation by the municipal council as a reward for outstanding performance

As can be seen from the above provisions, the Section 56 employees in the iLembe District Municipality will align with the above regulations and their performance will be measured through their performance plans/scorecards.

The phases of managing employee performance are outlined below.

Human Resources Department and Individual Performance management System.

The performance of an organisation is integrally linked to that of its employees. If employees do not perform an organisation will fail. It is therefore important to manage both the organizational and employee performance at the same time. Human Resources Department will play a role in seeing that the individual

performance management system of the municipality is developmental and not punitive.

The relationship between organisational performance and employee performance starts from planning, implementation, monitoring, review and reporting. All the 5 phases in the organizational performance apply to the management of employee performance. The monitoring system using monthly and quarterly reports is informed by individual activities at sectional and departmental levels. However, employee performance reviews differ from organizational reviews. Each phase will be discussed briefly below and the Human resources can play in role in the phases of individual performance management.

Weighting and Rating

Weighting Approach that will apply to MM and Section 54/56 Senior Managers of the municipality.

The weighting of indicators in the scorecards of the Section 54/56 Managers 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 HR Department will also play a vital role in terms of linking the Core Competency requirement with the employee's job profile so as to have a link and a base for awarding a CCR score to the Manager. This will be done in the planning stage of the Performance Plans and Agreements.

According to the 2006, Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager:

S:27 (4) (c) Overall rating:

(i) An overall rating is calculated by using the applicable assessment rating calculator. Such overall rating represents the outcome of the performance appraisal.

(ii) The assessment of the performance of the employee will be based on the following rating scale for KPA's and CCR's:

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 MSA and the Local Government: Municipal Performance Regulations have not provided the actual calculator and in the absence of this, KZN-CoGTA informed the municipalities to utilise the calculator issued by the Department of Public Service and Administration (DPSA), which is currently being used by all Provincial and National Departments.

The utilisation of this approved DPSA assessment calculator by the municipalities can be regarded as Best Practices which is a procedure that has been shown by research and experience to produce optimal results. An example of the rating calculator used is shown as follows:

EPMDS Annual Performance Assessment Assessment Rating Calculator								
Name:		XXXXX						
Year:		1 July 20XX - 30 June 20XX						
KRA	Weight	Rating	Score	CMC	Weight	Rating	Score	
1	60%	3	1,8	1	20%	3	0,6	
2	20%	3	0,6	2	20%	3	0,6	
3	20%	3	0,6	3	20%	3	0,6	
4			0	4	40%	3	1,2	
5				5				
6				6				
				7				
				8				
				9				
				10				
				11				
				12				
			100%				100	
			80%				20%	
KRA weight			80%	CMC weight			20%	
KRA SCORE			80%	CMC SCORE			20%	
FINAL SCORE								100%

GUIDELINES FOR USING THE ASSESSMENT RATING CALCULATOR

FOR THE KRA (Key Result Areas)

1. For each KRA fill in the weighting that you have allocated to it. Ensure that the weighting adds up to 100%. Fill in the number of KRAs are relevant to you.
2. Rate each KRA according to the extent to which performance has met the criteria specified in the standards and indicators. Use the five point scale described in the guidelines.
3. The assessment rating calculator will automatically calculate a score for each KRA by multiplying the weighting by the rating.
4. The calculator will then automatically calculate a total score by adding up the scores and dividing by 3. The Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, Section 27, 4 (c) rating scale indicates the calculation of the overall rating, i.e. a rating of a “3” on the scale entails “fully effective”. In terms of this approach to performance rating, an employee who

is rated “fully effective” has fully complied with the requirements of the job. On the rating scale, this translates to an overall score of 100%.

5. KRA score is calculated by multiplying this total by the 80% weighting allocated to the KRAs.

FOR THE CMC

6. For each relevant CMC fill in the weighting that you have allocated to it. Ensure that the weighting adds up to 100%.

6. Rate each CMC according to the extent to which performance has met the specified standards. Use the five point scale described in the guidelines.

7. The assessment rating calculator will automatically calculate a score for each CMC by multiplying the weighting by the rating.

8. The calculator will then automatically calculate a total score for the CMC by adding up the scores, dividing by 3 and multiplying this total by the 20% weighting allocated to CMC.

FOR THE OVERALL RATING

9. The assessment rating calculator will provide a final appraisal score by adding the totals obtained for the KRAs and the CMC.

The outcome of the planning phase in the employee performance management will result in all employees having signed performance agreements by 31 July of every year.

Phase 1: Planning

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 Top Layer SDBIP and the performance plans. The elements of the Top Layer SDBIP will be cascaded to the performance agreement as he/she is responsible for the implementation of the IDP.

The Municipal Manager will then extract relevant KPA’s and indicators to section or Departments concerned. These indicators would then become the KPA’s, indicators and targets of the Head of the Department to be incorporated in their performance

plans and agreements. The Head of Department 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.

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 the monitoring phase of organizational performance management system.

2.1 Portfolios of Evidence

This will be determined at the planning stage of the Top Layer SDBIP/performance plans with each senior manager responsible. It will basically be what serves as means of proof or verification for the claimed achievement, uploaded on the **PMS automative system**. The PMS Unit has taken the responsibility to scrutinise and review Portfolio of evidence to ensure its alignment with reported information before final submission to the Internal Audit unit for auditing purposes.

Phase 3: Coaching

Should an employee not be achieving the agreed indicators and targets in his/her performance plan during the monitoring and analysis phase, the manager/supervisor must assist the employee by managing his/her performance more closely. It is not appropriate that an employee hears about his/her non-performance for the first time at the formal performance review. Employees must be coached and given feedback throughout the year.

The Human Resources Manager will then need to identify the problem area and make recommendations on the interventions required to assist a struggling employee. The intervention must be related to employee wellness issue or capacity

issue; however it must be noted that a resource problem will have to be resolved by both the senior manager and the municipal manager.

Phase 4: 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.

According to the Local Government: Municipal Performance Regulations for the municipal managers and managers directly accountable to municipal managers, 2006, which states that:

28. (1) ‘The performance of the employee in relation to his or her performance agreement must be reviewed on the following dates with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory’:

First quarter	:	July to September
Second quarter	:	October to December
Third quarter	:	January to March.....
Fourth quarter	:	April to June.....

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 applies to Section 54/56 employees and they are clearly spelt out in the 2006 Performance Regulations and these rewards are in the form of performance cash bonuses that are allocated after the receipt of the Auditor-General’s report, tabling of the annual report and adoption of the oversight report, i.e. in March of each year.

5.1 Payment of a performance bonus to employees acting in section 54/56 positions

If there is a vacant position that is occupied by a non-section 54/56 employee in an acting capacity, that employee cannot be paid a performance bonus based on the fact that, he/she is paid an acting allowance for acting in that position and also on the basis that he/she has not signed any performance agreement with the Municipal Manager that is linked directly to reward as per the remuneration policy of the Municipality.

The other contributing factor for non-payment of a performance bonus will be based on the fact that the position which he/she occupies at an acting capacity is regarded as a vacant position until such time that the position is filled.

5.2 Amending the Top Layer SDBIP and Performance Plan at the Mid-Year Review

At the mid-year review, amendments may be made to the Top Layer SDBIP and senior manager's performance plans. These amendments may be affected if:

- Baselines and targets were not finalised at the start of the new performance cycle. These should be finalised and signed off at the mid-year review;
- The achievement or non-achievement of the particular KPI will be out of the employee's/team's span of control (e.g. the budget has been pulled from the project);
- The municipality has changed its Top Layer SDBIP, and the achievement of the KPI is no longer strategically important.
- Any amendments must be reflected on a new performance plan, developed in accordance with the procedure outlined above. The Municipal Manager/Senior Manager will be reviewed and rated on the amended performance plan. The Senior Manager and Municipal Manager must sign the amended scorecard and a copy must be kept by them.

14. PMS Checklist - Critical Dates and Timelines

TIME FRAME	MSA/MFMA REPORTING ON PMS	SECTION
QUARTERLY REPORTING	<ul style="list-style-type: none"> The Performance Management Section collates the information and quarterly reports for audit purposes The Performance Audit Committee must review the quarterly reports 	MSA Regulation 14 (1)(c) MSA Regulation 14(4)(a)
BI ANNUAL REPORTING	<ul style="list-style-type: none"> The Performance Audit Committee must review the PMS and make recommendations to Council. The Performance audit committee must submit at least twice during the year a report to Council. The municipality must report to Council at least twice a year. <p>The Accounting Officer must by 25 January of each year assess the Performance of the municipality and submit a report to the Mayor, National Treasury and the relevant Provincial Treasury.</p>	MSA Regulation 14(4)(a) MSA Regulation 13(2)(a)
ANNUAL PERFORMANCE REPORT	<ul style="list-style-type: none"> The Annual Report of a municipality must include the annual performance report and any recommendations of the municipality's The accounting officer of a municipality must submit the performance report to the auditor-General for auditing within two months after the end of the financial year to which that report relate The Auditor-General must audit the performance report and submit the report to the accounting officer within three months of receipt of the performance report The Auditor-General may submit the performance report and audit report of municipality directly to the municipal council, the National Treasury, the relevant provincial treasury, the MEC responsible for local government in the province and any prescribed organ of the state 	MFMA S72 MFMA S121 (3)(c)(j) & MSA S46 MFMA S126 1(a) MFMA S126 (3)(a)(b) MFMA S127 (4)(a)

PMS QUARTERLY CHECKLIST		
Current FY	Previous FY	Next FY
QUARTER ONE – 01 JULY TO 30 SEPTEMBER		
ACTIVITY		
<ul style="list-style-type: none"> ➤ Publication of approved SDBIP ➤ PMS to ensure S54/56 Performance agreements are signed and submitted to KZN COGTA and all relevant stakeholders ➤ Review and prepare the Annual Performance Report for the previous FY ➤ Submission of 4th quarterly & draft AMPR to Internal Audit Unit for audit purposes ➤ Submission of the draft AMPR to PAC and Final APR submitted to AG on 31st August 		
QUARTER TWO – 01 OCTOBER TO 31 DECEMBER		
ACTIVITY		
<ul style="list-style-type: none"> ➤ Review and preparation of first quarter performance reports submitted to PMS ➤ Conducting of 1st quarterly performance review – S 54/56 senior managers ➤ Submission of 1st quarter reports to Internal Audit Unit for audit purposes ➤ Submission of 1st quarter report to Performance Audit committee 		
QUARTER THREE – 01 JANUARY TO 31 MARCH		
ACTIVITY		
<ul style="list-style-type: none"> ➤ Prepare Action Plan based on Auditor-General findings ➤ Preparation and consolidation of Mid-year performance reports ➤ Conduct Mid-year performance reviews – S 54/56 senior managers ➤ Submission of the mid-year performance report to Internal Audit Unit for audit purposes ➤ Submission of mid-year performance report to MEC – COGTA/Treasury by 25th January ➤ Submission of mid-year report to Council together with mid-term budget assessment ➤ Conduct the Annual external appraisal for the previous FY ➤ Start and finalize the adjustment process for the SDBIP/scorecard and performance plans ➤ Preparation of the first draft SDBIP/Scorecard and performance plans for the new FY 		
QUARTER FOUR- 01 APRIL TO 30 JUNE		
ACTIVITY		
<ul style="list-style-type: none"> ➤ Review and prepare the 3rd quarter performance reports ➤ Conduct 3rd quarter performance review of S 54/56 ➤ Submission of 3rd quarterly reports to Internal Audit Unit for audit purposes ➤ Submit 3rd quarter performance report to Performance Audit committee ➤ Finalise SDBIP / Scorecards and performance plans for the new financial year ➤ Mayor receives and approves the new financial year's SDBIP/scorecard and performance plans ➤ Council adopts new financial year's SDBIP/Scorecard and performance plans ➤ Council adopts reviewed OPMS Framework/policy ➤ Council adoption and payment of performance bonuses 		

15. Building Capacity

The success of the implementation of the municipality's performance management system rests on the capacity of line managers, executive management, councillors, citizens and communities to fulfil their roles and responsibilities as highlighted in earlier sections.

Capacity building programmes will be initiated in order to provide capacity to each of the stakeholders to enable them to gain the necessary skills they require in fulfilling their roles and support will be provided during the implementation of this performance management framework.

16. Evaluation and Review of the Whole Performance Management System (PMS)

The iLembe District Municipality will review its Performance Management System annually alongside the review of the IDP.

17. Conclusion

This framework seeks to provide the basis for a structured approach to performance management within the iLembe District Municipality. As indicated earlier, proper implementation of this framework lies heavily on commitment and dedication of the staff and its leadership.