



# VICTOR KHANYE

LOCALMUNICIPALITY – PLAASLIKE MUNISIPALITEIT

## PERFOMANCE MANAGEMENT POLICY

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## 1. ACRONYMS

<b>Abbreviations</b>	<b>Description</b>
CCR	Core Competencies Requirements
IDP	Integrated Development Planning
KFA	Key Functional Areas
KPA	Key Performance Areas
KPI	Key Performance Indicators
LED	Local Economic Development
MMC	Member of Mayoral Council
MFMA	Municipal Financial Management Act
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
PA	Performance Appraisal
PMS	Performance Management System
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
VKLM	Victor Khanye Local Municipality

## **2. RATIONALE**

As an employer, the Victor Khanye Local Municipality (VKLM) has a duty under the Local Government: Municipal System Act, as amended and the Municipal Performance Regulations, 2006, to ensure a basis for performance and continuous improvement in the municipality.

Furthermore, the MSA and the Municipal Finance Management Act of 2003 (MFMA) require that the 5-year strategy of a municipality, the Integrated Development Plan (IDP), must be aligned to the municipal budget and must be monitored for the implementation of the IDP against the budget via the annual Service Delivery and Budget Implementation Plan (SDBIP). Thus the IDP, the budget and the municipality's performance are linked.

In relation to these provisions, the performance management of Section 56 Managers and how this must align with the implementation of the IDP is now regulated in terms of the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers of 2006.

## **3. PREAMBLE**

The Performance Agreement provides assurance to the municipal council of what can and should be expected from their municipal manager and managers directly accountable to the municipal manager.

VKLM is committed (in line with the Local Government: Municipal Systems Act No 32 of 2000) to pursuing its vision through meeting the municipal goals and objectives framed in its IDP document.

The Municipality commits itself to providing a fair and transparent mechanism to guide the activities of each employee, identifying and creating opportunities for staff development, and implement a seamless performance measurement structure through which performance shall be assessed at all three levels, namely, municipal, departmental as well as individual levels.

The policy will be most effective when considered in the context of enabling the implementation of the municipality's IDP. Therefore, should at the same time create an enabling environment for enhanced performance and accountability.

## 4. DEFINITIONS

**"Employee"** means a person employed by the VKLM as a Municipal Manager or as a Manager directly accountable to the Municipal Manager, and all other personnel employed permanently by the municipality

**"Employer"** means the VKLM as represented by the Executive Mayor or the Municipal Manager, as the case may be

**"Employment Contract"** means a contract as contemplated in section 56 of the Municipal System Act, as amended

**"Performance Agreement"** an agreement as contemplated in section 56 of the Municipal System Act, as amended

**"Policy"** means basic performance management principles by which the municipality is guided

**"System"** means detailed method and procedures formulated to carryout performance management

**"Strategy"** means a plan of action designed to achieve VKLM's vision

**"VKLM"** means the Victor Khanye Local Municipality

## 5. KEY PRINCIPLES

The Key Principles underpinning the effective implementation of Performance Management are captured as follows (MSA Principles):

- a. Department shall manage performance in a consultative, supportive and non-discriminatory manner in order to enhance organisational efficiency and effectiveness, accountability for the use of resources and the achievement of results.
- b. Performance management processes shall link to consistent staff development plans and align with the Municipality`s priorities, goals, objectives, indicators and targets contained in the integrated development plan.

- c. Performance management processes shall be developmental, but shall allow for effective response to consistent inadequate performance and for recognising outstanding performance [including demonstration of agreed CMC`s].
- d. Performance management procedures should minimise the administrative burden on supervisors (and employee) while maintaining transparency and administrative justice.

## **6. REGULATORY FRAMEWORK**

Legislative enactments which govern performance management in municipalities are found in various documents. As outlined in Section 40 of the Municipal Systems Act of 2000, VKLM must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels.

Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP Review process the Key Performance Areas, Key Performance Indicators and Performance Targets are reviewed and this review will form the basis for the review of the municipal PMS and Performance Contracts of Senior Managers.

The Performance Management System (PMS) is informed by the following legislation and policy:

- a. Constitution Act 108 of 1996 and as amended
- b. Municipal Systems Act, 32 of 2000 as amended
- c. MFMA, Act 56 of 2003
- d. Structures Act, Act 117 of 1998
- e. Performance Management Regulations of 2001 (R. 796)
- f. Regulations of 2006 pertaining to Municipal Managers and Managers directly Accountable to Municipal Managers.
- g. MFMA Circular 211(Annual Report: Guidelines)
- h. MFMA Circular 13 (Services Delivery and Budget Implementation Plan)
- i. MFMA Circular 32( The Oversight Report)
- j. Batho Pele White Paper



Other legislation that impacts on and relates to performance management includes:

- a. Labour Relations Act (Act No. 66 of 1995) : Code of Good Practice
- b. Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
- c. Employment Equity Act, 1998 (Act No. 55 of 1998)
- d. The Skills Development Amendment Act (Act 31 of 2003)
- e. Promotion of Access to Information Act (Act 2 of 2000)

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

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

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

## **6.1. The Municipal Systems Act, 32 of 2000**

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

- Develop a performance management system (PMS).
- Promote a performance culture.
- Administer its affairs in an economical, effective, efficient and accountable manner
- Set Key Performance Indicators (KPI's) as a yardstick for measuring performance.
- Set targets to monitor and review the performance of the municipality based on indicators linked to their IDP.
- Monitor and review performance at least once per year.
- Take steps to improve performance.

- Report on performance to relevant stakeholders.
- Publish an annual performance report on performance of the municipality forming part of its annual report as per the provisions of the Municipal Finance Management Act of 2003.
- Incorporate and report on a set of general (sometimes also referred to as national) indicators prescribed by the national Minister of Provincial and Local Government.
- Conduct an internal audit of all performance measures on a continuous basis.
- Have their annual performance report audited by the Auditor-General.
- Involve the community in setting indicators and targets and in reviewing municipal performance.

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

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

In summary the Regulations provide that a municipality's Performance Management System must:

- Entail a framework that describes and represents how the municipality's cycle and process of performance management, including measurement, review, reporting and improvement, will be conducted.
- Comply with the requirements of the Municipal Systems Act
- Relate to the municipality's employee performance management processes and be linked to the municipality's IDP.

A municipality must:

- Set key performance indicators (KPI's) including input, output and outcome indicators in consultation with communities.
- Annually review its Key Performance Indicators.
- Set performance targets for each financial year.
- Measure and report on the relevant nationally prescribed key performance outcome

- Measure and report on the six national local government KPA's.
- Report on performance to Council at least twice a year.
- As part of its internal audit process audit the results of performance measurement.
- Appoint a performance audit committee.
- Provide secretarial support to the said audit committee.

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

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

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

The Municipal Systems Act and the Municipal Finance Management Act require that the PMS be reviewed annually in order to align itself with the reviewed Integrated Development Plan (IDP). In consequence of the reviewed organisational performance management system it then becomes necessary to also amend the scorecards of the Municipal Manager and Section 56 Managers in line with the cascading effect of performance management from the organisational to the departmental and eventually to employee levels.

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

This legislation regulates the management of the Section 56 employees of a municipality by providing an outline of employment contracts, performance agreements, performance plans, employee development, empowerment, measures and performance evaluation processes. These regulations further provide criteria for performance assessment and the 5-point rating upon which performance of an individual need to be scored during the assessment and evaluation.

### **7. SCOPE AND APPLICABILITY**

This policy is applicable to Municipal Manager, Section 56 managers and all managers appointed in a fixed-term contract in Victor Khanye Local Municipality, including all permanent municipal employees.

### **8. OBJECTIVES OF PERFORMANCE MANAGEMENT SYSTEM**

Municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to gauge the progress made in achieving the objectives as set out in the IDP. The PMS process plan includes the following objectives that the system should in addition fulfil.

#### **8.1. Facilitate Increased Accountability**

The performance management system should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team.

#### **8.2. Facilitate Learning and Improvement**

The PMS should facilitate learning in order to enable the Municipality to improve delivery.

### **8.3. Provide Early Warning Signals**

It is important that the system ensure decision-makers are timeously informed of performance related risks, so that they can facilitate intervention, if necessary.

### **8.4. Facilitate decision-making**

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources

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

## **9. BENEFITS OF PERFORMANCE MANAGEMENT**

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

## **10. ORGANISATIONAL PERFORMANCE MANAGEMENT VERSUS INDIVIDUAL PERFORMANCE MANAGEMENT**

### **10.1. Organisational Performance Management System**

The municipal Systems Act 32 of 2000 as amended requires that each Municipality to establish a performance management system that is commensurate with its resources; best suited to its circumstances; and in line with the priorities, objectives; indicators and targets contained in its integrated development plan. It is required to promote a culture of performance management among its political structures, political office bearers and councillors and its administration.

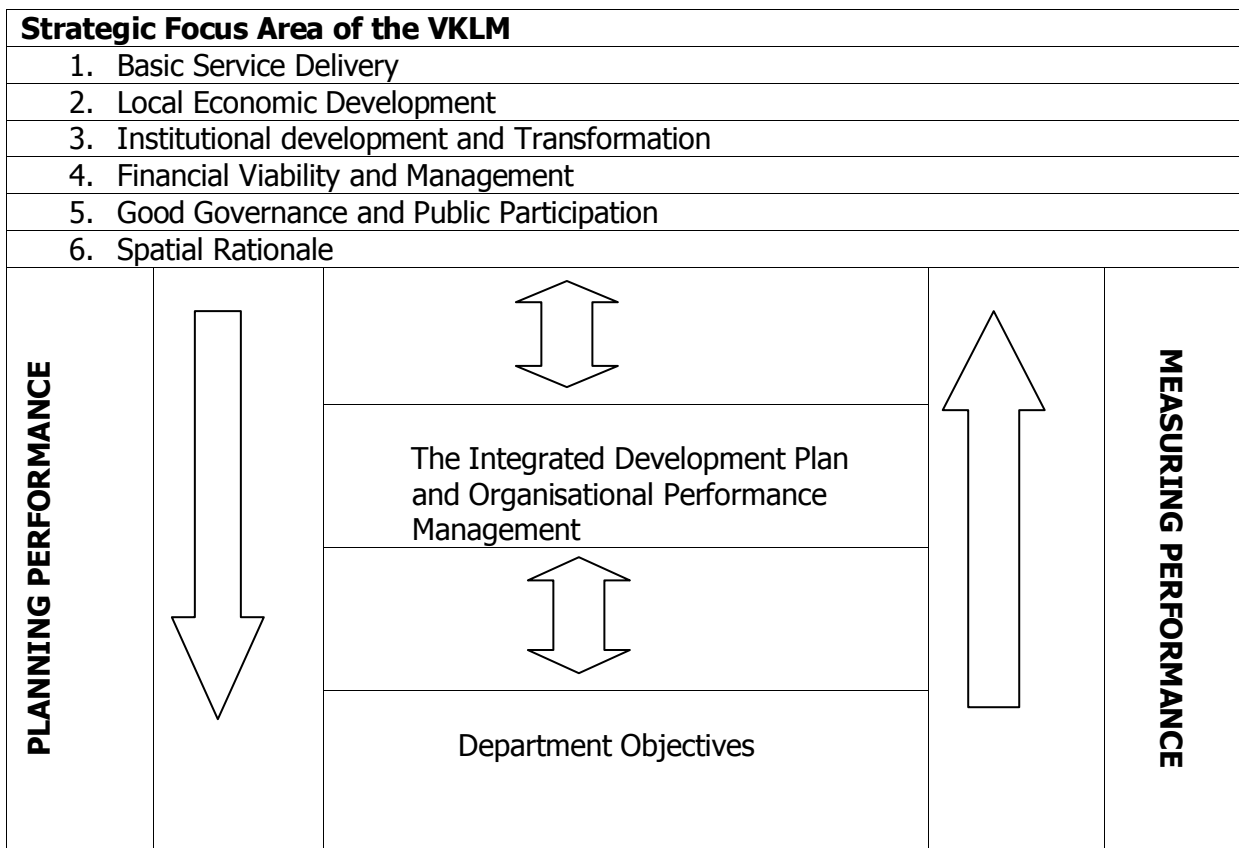
The core components of the performance management system are as follows:

- ❖ Setting of appropriate key performance indicators
- ❖ Setting of measurable performance targets
- ❖ Monitoring performance
- ❖ Measuring and reviewing performance four times a year
- ❖ Taking steps to promote performance
- ❖ Establishing a process of reporting.

In organisational performance, the local community is required to be involved in the development, implementation and review of the Municipality`s performance management system, especially in relation to the setting of appropriate key performance indicators and performance targets for the Municipality.

In order to ensure that the Municipality meets its organisational performance indicators and standards it is appropriate to introduce performance management systems for the individual employees within the Municipality. Thus each individual is given performance objectives, targets and standards that are linked to the objectives of his/her team, his/her department and ultimately the Municipality.

The diagram below illustrates the link between organisational performance management and individual performance management. Once organisational objectives and targets have been set it is possible to cascade these down to the relevant departments and individuals. In turn, the individuals and departments, by achieving their objectives and targets contribute towards the Municipality achieving the targets in its integrated development plan.



## 10.2. Individual Performance Management

This individual performance management is concerned with planning and measuring of individual performance of employees on fixed term contract within the municipality. If each employee achieves his/her performance objectives, which are linked to the department`s objectives, which are in turn linked to the Integrated Development Plan, then the Municipality will ultimately achieve its organisational performance objectives. The reporting requirements as stipulated in the Municipal Systems Act, the involvement of the community in setting performance indicators etc. needs to occur at an organisational performance management level. Individual performance management occurs at the level of the working relationship that exists between the employee and his/her manager.

### 10.2.1. Performance Agreement

A Performance Agreement, for the purpose of this policy, is a strategic document signed on the one hand, by the performing employee and a manager, on the other hand, entering into the agreement on behalf of VKLM. It shall reflect the linking of an individual performance plan to the goals of VKLM and an analysis of what will be required to achieve effective Performance.

### **10.2.2. Components of a Performance Agreement**

A Performance Agreement shall be composed of the following three distinct components:

#### **10.2.3. Output Plan**

The output plan is a plan of what Outputs/Key Performance Areas (KPA) the employee is expected to deliver on. The KPAs are defined in terms of the tangible deliverables (product or service). The quality requirements include the standard of the product or service and the time frame within which it must be delivered. Finally, the indicator must reflect what evidence must be produced to demonstrate the delivery.

#### **10.2.4. Competency Plan**

The Competency Plan outlines what core competencies (skills, knowledge, and attitude) the employee must acquire to be able to perform and deliver on the set objectives effectively. It entails the determination of the gap between the required level of competence and the employee's actual level of competence.

#### **10.2.5. Personal Development Plan**

The Personal Development Plan is a plan of what development interventions will be undertaken to bridge the gap between the required level of competence and the employee's actual level of competence and thus bring the employee to the desired competency level.

### **10.3. When Must Performance Agreements be signed**

Performance Agreements must be signed within a reasonable time but no longer than ninety days (90) after an individual has been appointed as a member of staff of VKLM and thereafter within one month after the beginning of each municipal financial year.

### **10.4. Who may Sign a Performance Agreement on Behalf of the Municipality**

#### **10.4.1. Municipal Manager's Performance Agreement**

A Performance Agreement shall be concluded between Council, as represented by the Mayor and the Municipal Manager in his/her capacity as an employee. This function, the Mayor



may not delegate to any of the Municipal Councillors (including the Speaker), since the Mayor himself/herself is delegated by Council to enter into the agreement on its behalf.

#### **10.4.2. Section 56 Managers – Who Report Directly to the Municipal Manager**

A Performance Agreement shall be concluded between Council, as represented by the Municipal Manager and the Section 56 Manager in his/her capacity as an employee. This function, the Municipal Manager may not delegate to any of the Section 56 Managers, since the Municipal Manager himself/herself is delegated by Council to enter into the agreement on its behalf.

#### **10.4.3. Staff other than Section 56 Managers**

Performance Agreements may be concluded between the municipality as represented by a Section 56 Manager and the employee. This function, the Section 56 Manager may not delegate. The signing of performance agreements shall be signed by the Section 56 Manager, notwithstanding that, the employee might not be reporting directly to the Section 56 Manager. No other employee may enter into and sign a performance agreement on behalf of Council, other than the three categories cited above.

### **10.5. Performance Plan**

- Each employee shall have a performance plan which must be attached to the performance agreement as an annexure.
- A Performance Plan is a strategic management tool that enables the performance of the employee to be assessed in an objective and fair manner.

## **11. PERFORMANCE MANAGEMENT SYSTEM**

A number of key issues were taken into consideration when developing this performance management system:

- Achieve sustainable improvements in service delivery to the community
- Development of constructive and open relationships between Managers and Employees
- Encourage and reward good performance

- Manage and improve on poor performance
- Link the Integrated Development Plan to team and individual performance
- Enable individual to develop their abilities, increase their job satisfaction and achieve their full potential so that both Employee and the Municipality benefit
- Fulfil the requirements of the Municipal Systems Act 32 of 2000 as amended.

### 11.1. Performance Assessment Criteria

The criteria upon which the performance of an employee shall consist of two components of which shall be contained in the performance agreement. The employees must be assessed against both components, with a weighting of **80:20** allocated to key Performance Areas (KPA`s) and the Core Competency Requirements (CCR`s), respectively. Each area of the assessment will be weighted and contribute a specific part to the total score. KPA`s covering the aim areas of work will account for 80% and CCR`s will account for 20% of the final assessment.

### 11.2. Key Performance Areas

The employee`s assessment will be based on his/her performance in terms of the outputs/outcomes (performance indicators) identified as per the performance plan which are linked to the KRA`s which constitutes 80% of the overall assessment result as per the weightings agreed to between the employer and employee.

<b>KEY PERFORMANC AREAS (KPA`S)</b>	<b>WEIGHTING</b>
Basic Service Delivery	
Municipal Institutional Development and Transformation	
Local Economic Development (LED)	
Municipal Financial Viability and Management (Compulsory)	
Good Governance and Public Participation (Compulsory)	
<b>TOTAL</b>	<b>100%</b>

In the case of managers directly accountable to the municipal manager and or any other fixed term appointee, key performance areas related to the area of the relevant manager, must be subject to negotiation between the municipal manager or supervisor concerned and the post incumbent. In this case at-least three KPA`s must be chosen.

### 11.3. Core Competency Requirements

The CCR`s will make up to 20% of the employee`s assessment score. CCR`s that are deemed to be most critical for the employee`s specific job should be selected from the list below as agreed between the employer and the employee and must be considered with due regard to the proficiency level agreed to.

<b>CORE COMPETENCY REQUIREMENTS</b>		
<b>Core Managerial and Occupational Competencies.</b>	<b>(Indicate choice)</b>	<b>Weight</b>
Core Managerial Competencies		
Strategic Capability and Leadership		
Financial Management		
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management Empowerment		
Client Orientation and Customer Focus		
Communication		
Honesty and Integrity		
<b>Core Occupational Competencies:</b>		
Competence in Self Management		
Interpretation of and implementation within the legislative and national policy frameworks		
Knowledge of developmental local government		
Knowledge of performance management and reporting		
Knowledge of global and South African specific political, social and economic contexts		
Competency in policy conceptualisation, analysis and implementation		
Knowledge of more than one functional municipal field/discipline		
Skills in mediation		
Skills in Governance		
Competency as require by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		

Employees should be assessed against all those CCR`s that are applicable to their job. The number of CCR`s chosen should not exceed ten, five from each category, i.e., core managerial competencies and core occupational competencies.

All CCR`s are critical to Municipal Manager and must be included in his/her Performance Agreement.

For all fixed contract members with managerial responsibilities, the following CMR`s shall as a minimum be included in their PA`s.

- a. Financial Management
- b. People management and empowerment
- c. Client orientation and customer focus (require strong emphasis on the Batho Pele principles)

#### **11.4. Personal Development Plan**

Inclusion of a Personal Development Plan in a Performance Agreement is compulsory. Identify developmental requirements of the members by

- a. Using the self assessment tool available
- b. Working through the CRR`s
- c. Identifying job-specific development needs
- d. Working through the Batho Pele principles; and

Agree on the steps to be taken to address the developmental gaps and the date at which a review of progress will be taken. Note these undertakings as part of the Performance Agreement.

#### **11.5. Schedule for Performance Reviews**

The performance of the employee in relation to his/her Performance Agreement must be reviewed in accordance with the following scheduled, with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory: Quarterly

performance appraisals shall be conducted for all contracted employees no later than two weeks after the end of the last month of the quarter for which the Appraisal is being done.

First Quarter	July to September
Second Quarter	October to December
Third Quarter	January to March
Fourth Quarter	April to June

The quarterly appraisal shall be performed between the Employee and his/her immediate superior. The appraisal shall be based on actual achievement of the Indicators agreed for each deliverable or output. The employer must keep a record of the mid-year review and the annual assessment meetings. Performance feedback must be based on the employer`s assessment of the employee`s performance.

The employer will be entitled to review and make reasonable changes to the provisions of the performance plan from time to time for operational reasons on agreement between both parties.

### **11.6. Dispute Resolution**

The municipal performance management regulation for section 56 managers provide clear guidelines for performance disputes relating to the performance of the municipal manager and managers directly accountable to the municipal manager. Below is the process of dispute as it relates for section 56 employees as stipulated in the said regulations.

Any dispute about the nature of the employee`s performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/or salary increment in the agreement and the outcome of the employee`s performance evaluation, must be mediated by:

- a. In the case of the municipal managers, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC
- b. In case managers directly accountable to the Municipal Manager, the Executive Mayor within thirty (30) days of receipt of a formal dispute from the employee,

- i. In case of performance evaluation outcome, to any member of municipal council, provided that such member was not part of the evaluation panel provided and whose decision shall be final and binding on both parties.

## **12. MANAGEMENT OF ANNUAL REMUNERATION ADJUSTMENT AND PERFORMANCE REWARDS**

All fixed term employees are eligible for a cost-of-living (remuneration package) adjustment with effect from 1<sup>st</sup> of July of a particular year, irrespective of the outcome of performance evaluation.

The cost-of-living adjustment shall be determined by general annual increase as per relevant SALGBC.

The annual Performance Agreement of an employee forms basis in terms of which performance assessment, leading to possible granting of performance related pay increase and/or rewards will be undertaken. Failure to sign a Performance Agreement may furthermore result in disciplinary action being instituted against employee who is at fault, and forfeiture of performance rewards.

## **13. REWARDS AND RECOGNITION**

### **13.1. Non-Financial Rewards**

Non-financial reward is based on recognising high performance in ways other than financial reward. Such recognition should be based on the following three approaches:

- **Informal:** These are spontaneous and can be implemented with minimal planning and effort, e.g. calling an employee into the office and thanking him/her for a job well done and not discussing anything else.

- **Awards for specific achievements and activities:** These are tailored to reward specific achievements and behaviours desired most in the organisation, e.g. long service awards, monthly awards, etc.
- **Formal:** The municipality has formal recognition programmes used to formally acknowledge (in public) significant contributions by individuals and teams, e.g. annual mayor's awards for excellence, etc.

### 13.1.1. Types of non-monetary rewards

- **Merchandise:** such as iPods, mobile phones, perfumes, camcorders, bottles of champagne/wine, or watches.
- **Activities/ special events:** such as meals out, hotel spa - accommodation/ treatments – which may be provided for an individual employee (or an individual plus a partner or friend) or could reward teams (teams meal out, for instance).
- **Retail vouchers:** which are often obtainable at a discount store
- **Quality Review:** each quarter, the employee with the top 15% Quality Review scores will be
  - Presented with a certificate by management during a departmental/ month opening meeting. Employees who achieve the top 15% Quality Review scores on average for the year will be presented with a certificate by the Municipal Manager during an annual award breakfast or luncheon.
  - Perfect Attendance: Employees with perfect attendance during six consecutive months will be presented with a certificate by management during a departmental/ month opening meeting and will receive an afternoon off (the date of the afternoon off should be chosen by the employee).
  - Employees with perfect attendance during twelve consecutive months will be presented with a desk display award by management during a departmental/ month opening meeting and will receive a day off (the date of the day off should be chosen by the employee).
  - They will have their names put in a hat for a drawing that occurs once a month for an upscale prize (e.g. movie tickets, high quality restaurant dinner for two). As long as they have perfect attendance they will be eligible for the drawing. Winners will be highlighted during a monthly communication meeting/ newsletter.

- Personal Recognition – Birthday: Birthdays will be celebrated by attaching balloons/ placing a best wishes card to the employee’s workstation and office staff wishing them a happy birthday (song/ greetings).
- Free birthday leave day: employee should be granted a free half- day leave days (leaving the office not later than 10:00 a.m) the supervisor and the employee must agree on the date. This date must be taken within three months of it being awarded otherwise it will be forfeited.

### **13.2. Low cost Rewards**

- Sponsor a visit to the health spa;
- Magazine subscriptions
- Movie ticket or ticket to local event
- A cap or ties
- Key rings
- Calculator
- Wallet
- Umbrella
- Engraved pen and pencil set
- Sunglasses
- Certificate of appreciation

### **13.3. Financial Rewards (cash bonuses)**

In order to encourage high standards of performance it is recognised that outstanding performance should be rewarded. Employees who have signed fixed term contracts and performance agreements and who obtain high scores on their performance agreements are eligible to receive some form of financial reward as outlined in the Municipal Performance Management Regulation for Section 56 managers. A performance score is calculated according to the KPI and core competencies and added together to give an overall performance score. The amount of the bonus is determined by the total performance score, based on the following criteria determined by the regulations.



Paragraph 32 in the Local Government: Municipal Performance Regulations for Section 56 Managers (the Regulations) provides as follows, under the heading Management of Evaluation Outcomes. The evaluation of the employee`s performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

A performance bonus of five (5%), nine (9%) or fourteen (14%) of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance. In determining the performance bonus the relevant percentage is based on the overall rating calculated by using the applicable assessment-rating calculator, provided that:

- a. A score of 100% to 129% is awarded a performance of 5%
- b. A score of 130% to 149% is awarded a performance of 9%
- c. A score of 150% and above is awarded a performance bonus of 14%

Performance rewards may only be granted to fixed term contract employee who has completed an assessment period of at least three (3) months over a period of commencing on the 1<sup>st</sup> of July of a particular year ending 30 June of the following year.

Provided that the employee remained on the same level (e.g. level 1) for the duration of that period. Pro-rata principle is applicable.

In case of unacceptable performance, the employer shall:

- a. Provide systemic remedial or developmental support to assist the employee to improve his/her performance.
- b. After appropriate performance counselling and having provided the necessary guidance does not improve, the employer may consider steps to terminate the contract of employment of the employee on grounds of unfitness or incapacity to carry out his or her duties.

## 14. OVERALL RATING

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

The assessment of the performance of the employee will be based on the following rating scale for KPA`s and CRM`s, together with the relationship between performance rating and decisions in other areas must be established:

Level	Terminology	Description	Link to specific consequences
5	Outstanding Performance (150% and above)	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the member has achieved above fully effective results against all performance criteria and indicators as specified in the PA and work plan and maintained this in all areas of responsibility throughout the assessment period.	<ul style="list-style-type: none"> <li>- For a score range of 150% and above, 14% of the total remuneration package</li> <li>- Access to development opportunities.</li> </ul>
4	Performance significantly above expectations (130% to 149%)	Performance is significantly higher than the standard expected of an employee at this level. The appraisal indicates that the member has achieved above fully results against all performance criteria and indicators as specified in the PA and work plan and of responsibility throughout the assessment period.	<ul style="list-style-type: none"> <li>-For a score range between 130%v and 149%-9% of the total remuneration package must be awarded as a performance bonus;</li> <li>- Access to development opportunities.</li> </ul>
3	Fully effective (100% to 129%)	Performance fully meets the standard expected of an employee at this level. The appraisal indicates that the member has achieved fully effective results against all performance criteria and indicators as specified in the PA and work plan and maintained this in all areas of responsibility throughout the assessment period.	<ul style="list-style-type: none"> <li>- For a score range between 100%v and 129%-5% of the total remuneration package must be awarded as a performance bonus;</li> <li>- Access to development opportunities.</li> </ul>

2	Performance not Fully effective (70% to 99%)	Performance is below the standard expected of an employee at this level. The appraisal indicates that the member has not achieved fully effective results against all performance criteria and indicators as specified in the PA and work plan and maintained this in all areas of responsibility throughout the assessment period.	-Probation confirmed extended or employment terminated (after prescribed incapacity procedures have been followed); -Performance improvement measures agreed and responsibility for remedial action identified; and -Agreed programme for supporting and monitoring performance improvement.
1	Unacceptable performance	Performance does not meet the standard expected of an employee at this level. The appraisal indicates that the member has not achieved effective results against all performance criteria and indicators as specified in the PA and work plan and maintained this in all areas of responsibility throughout the assessment period.	- Probation not confirmed extended or employment terminated (after prescribed incapacity procedures have been followed); -Performance improvement measures agreed and responsibility for remedial action identified; and - Agreed programme for supporting and monitoring performance improvement

Where a rating other than 3 is assigned, the immediate supervisor will be required to motivate the rating assigned with facts relating to the performance delivery of the employee.

- The Employee and immediate superior shall then discuss the appraisal prepared with a view to reach consensus on the Indicators.
- If consensus is reached, both parties shall sign the Employee Performance Appraisal and send it to the relevant Municipal Manager or Section 56 Manager depending on the level of the employee being appraised for confirmation. (This shall not apply to the Performance Appraisals of the senior managers or Section 56 Managers).
- Should consensus not be reached, the dispute shall be dealt with in line with the dispute resolution mechanism provided for in this policy.

## **15. MODERATING OF AGREEMENTS AND PERFORMANCE APPRAISAL RESULTS (MODERATING COMMITTEES)**

For purpose of evaluating the annual performance of the Municipal manager, an evaluation panel constituted of the following persons must be established: (the Executive Mayor presents the municipal manager to the committee).

- i. Chairperson of the performance audit committee or the audit committee in the absence of the performance audit committee.
- ii. Member of the mayoral committee.
- iii. Mayor and/or Municipal Manager from another municipality.
- iv. Member of ward committee as nominated by the Executive Mayor.

For purposes of evaluating the annual performance of directors, directly accountable to the Municipal Manager, an evaluation panel constitutes of the following persons must be established: (the Municipal Manager presents the directors to the committee)

- i. Chairperson of the performance audit committee or the audit committee in the Presents of the performance audit committee
- ii. Member of the performance audit committee
- iii. Member of the mayoral committee
- iv. Chairperson or member of MPAC
- v. Municipal Manager from another municipality

### **15.1. The Role of the Committee**

- Ensure that there is consistency across the municipality in the development of performance standards and measure
- Moderate assessment results and make recommendations to the council on the granting performance rewards and pay progression
- The process of moderation should have a clear written criteria

- The process of moderation should not become a bottleneck that slow down the finalisation of performance appraisal results
- The committee should compare the individual`s assessment and the overall performance of the municipality.
- The Corporate Services directorate should support these committees, individual supervisors and job- holders in the process of developing performance agreements and reviewing/appraising performance. They should also be able to provide technical advice for the ongoing development and maintenance of the Policy and systems. Moreover, they need to assist with financial calculations on the granting of rewards.
- If the committees identify deviations, these should be returned to the supervisor together with the reason why the issue is unacceptable to the moderating committee. This should be accompanied by a request for review. Unless it is an overall appraisal score adjustment that alters the appraisal scored of all members by the same percentage, the moderating committee is discouraged from changing an individual member`s appraisal score, without first referring the issue back to the supervisor who made the initial assessment.

The committee must provide reports which against a summary of the ratings within the municipality and the percentage of employees in the fixed-term employment contract as set out below:

<b>Normal Distribution of Employment Performance (Bel-curve)</b>				
69% and lower	70-99%	100-129%	130-149%	150% and above
5%	15%	40%	30%	10%

## **16. CORRECTIVE MEASURE FOR DEALING WITH PERFORMANCE NOT FULLY EFFECTIVE**

### **16.1. Members on Probation**

Members who perform unsatisfactorily during probation must be dealt with in the following manner:

- Training/re-training
- Counselling/coaching
- Be given a verbal and subsequently a written notice on extension of their period of probation
- Supervisors should be able to determine during the process of assessment of performance what the reason for unsatisfactory performance is. Corrective measures should be designed accordingly and suitable action be taken. The consideration pertaining to incapacity due to poor performance should apply here.

### **16.2. Members that have completed the Probationary Period**

Supervisors are responsibility for dealing with unsatisfactory performance of managers within the period of assessment. Supervisors should take into consideration the following:

- The need to set clear performance standards
- Provision of enabling working facilities and resources
- Counselling/couching
- Training/re-training
- Formal incapacity due to poor performance route is taken as a last resort

### **16.3. Personal Development Plan (Input to Individual Development Plan)**

The gaps between actual performance and the expected level of performance shall be reviewed by the employee and immediate superior from the perspective of identifying opportunities for training and skills development.

Where such opportunities are identified, they shall be documented and submitted to the director of corporate services, who shall make recommendations to the immediate superior for suitable training interventions to address such skills gaps. These recommendations will then be processed in terms of the Municipality's Training Policy.

To address the gap that exist between the required competency profile and actual competencies needed, a training and development plan will be designed for the individual member. The training and development needs will not only be identified during performance reviews and assessments, but also on initial meeting when the work plan is developed.

Members should have ongoing and equitable access to development. Development should support work performance and career development, driven by the needs of individual members linked to their department`s/ council`s strategic plan and operational plans.

Training and development activities will focus on equipping members with the competencies they require to perform effectively in their current jobs and to prepare them for future. The training and development needs of the members will be determined through continuous monitoring, quarterly reviews and annual assessment.

#### **16.4. Input to Succession Plan**

Each Department will be required to compile a Succession Plan, identifying those employees with the demonstrated potential to advance to more senior positions and estimated timeframes within which the identified employees will be suitably skilled and experienced to take on the additional responsibility of more senior positions.

Only employees whose performance scores are either 4 or 5 must be put on a succession planning programme.

The relevant Section 56 Manager shall liaise with the Corporate Services Manager to identify areas where the skills of the employee concerned can be utilised, and strategies to be followed in accommodating the aspirations of the employee within the municipal requirements.

## **17. GENERAL ISSUES RELATING TO PERFORMANCE MANAGEMENT**

The following are some general issues related to performance management that need to be taken into consideration in implementing the PMS of the Municipality:

### **17.1. Managing Poor Performance**

Should an Employee not be achieving the objectives in his/her performance agreement the Manager should assist the Employee by managing his/her performance more closely. It is **not** appropriate that the first time an Employee hears about his/her non-performance is at the formal performance review. Employees **must** be coached and given feedback throughout the year.

### **17.2. Early Warning Mechanisms**

The municipality's 1st quarter performance report should be used as early warning mechanisms to assess performance of a department or even the entire municipality, to determine whether the annual performance targets are not likely to be achieved. The departments should review mechanisms to improve its performance and indicate to the internal audit and performance audit committee how they intend to achieve better.

### **17.3. Addressing Poor Performance**

The management of poor performance should be seen as a corrective process, focusing on addressing issues that lead to performance related problems. Counselling is seen as the first corrective process, which should include the following:

- Identify and agree on the problem.
- Describe the impact of the poor performance.
- Establish reasons for performance
- Decide and agree on what actions are required , and set the necessary timeframes
- Resource the agreed actions

## **18. PARTIES TO THE MANAGEMENT OF PERFORMANCE AND THEIR RESPONSIBILITIES**

The following are parties to management of performance:



### **18.1. The Supervisor**

All officials in supervisory positions shall be responsible for the management of the performance of others directly below them or reporting directly to them, by ensuring that they have Performance Agreements.

Supervisors shall be responsible for creating an environment conducive to performance. They shall ensure that performance is reviewed and assessed, and that feedback is given.

Supervisors must be aware that 1,5 of the remuneration package of the fixed-term employees of their departments is set aside for performance bonuses and a further 1% for pay progression and that the total of such rewards may not exceed the percentage points as set out above.

Supervisors shall be responsible for resolving disputes out of the performance management process, for recommending rewards, and dealing with poor performance. Supervisors should also assist employee with the compilation of Personal Development.

### **18.2. The Employee**

Employees shall be responsible for their performance and department as set out in the Performance Agreement.

Employees shall keep evidence of their achievement of the agreed objectives and also participate in the reviews/assessment with the supervisor. Where an employee is not satisfied with the outcome of the assessment, he or she may refuse to sign it and follow the dispute resolution procedure.

Employees shall be responsible for achieving the plan to develop their capacity as set out in the personal development plan.

### **18.3. Moderating Committees**

See paragraph 15

## 18.4. Human Resource or Corporate Services Department

The key responsibility for the individual performance management process will reside in Corporate Services department. The department will co-ordinate the process, ensure that the system is applied fairly, support the line management function and manage the link between performance management and development and other appropriate HR policies and procedures.

## 18.5. Role of Council

In line with the Municipal Systems Act (Act No. 32 of 2000), the Municipal Council commits to participating in the development of its performance management system through the Executive Committee and shall:

- Oversee the development of the municipality's performance management system.
- Assign responsibilities in this regard to the Municipal Manager who shall submit the proposed system to the Municipal Council for adoption, and establish mechanisms to monitor and review the performance management system.

## 19. MONITORING AND REVIEW

- The municipality shall monitor measure and review municipal performance and individual performance on a **quarterly basis** and take steps to improve performance with regard to those development priorities and objectives where performance targets are not met.
- A process of regular reporting to the Council, other political structures, political office bearers and staff of the municipality shall be established. This includes the public and appropriate organs of state.

## 20. COMMUNITY INVOLVEMENT

- The Municipality, in compliance with Chapter 4 of the Municipal Systems Act, shall establish mechanisms, processes and procedures to allow the involvement of the local community in the development, implementation and review of the municipality's performance management system. The measures are aimed at allowing the community to participate in setting appropriate key performance indicators and performance targets for the municipality.

- General Key Performance indicators prescribed by the Minister which are in terms of Section 43 of the Municipal Systems Act and relevant to The Municipality will be included in key performance indicators set by the municipality.

## **21. THE KEY PERFORMANCE MANAGEMENT CYCLE**

### **21.1. Organisational Level**

The organisational performance management system can be defined as the planning process whereby the organisation set the strategic agenda, vision and mission, as well as strategic objectives for the upcoming financial year/s, and the desired performance results. Performance management at organisational level involves the following stages.

#### **21.1.1. Planning**

The Integrated Development Planning (IDP) process and the Performance Management Process should appear to be seamlessly integrated. The IDP fulfils the planning stage of performance management. Performance management fulfils the implementation management, monitoring and evaluation of the IDP process.

#### **21.1.2. Priority Setting**

In setting priorities municipality should consider the following:

- 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
- A set of delivery priorities 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
- Additional projects identified in contributing to the achievement of the above objectives
- A financial plan and medium term income and expenditure framework that is aligned to the priorities of the municipality
- A spatial development framework

To be useful in the management of performance, the IDP must provide very clear goals, objectives, and indicators by which to measure the achievement of the objectives and unambiguous targets for those indicators.

### **21.1.3. Setting Objectives**

All components of the integrated development plan whether they are strategies or priority areas; need to be translated into a set of clear and tangible objectives. This is a crucial stage in ensuring that there is clarity on the IDP and that suitable indicators are found. A clear and concise construction of statement of objectives is needed. The statement requires a tangible, measurable and unambiguous commitment to be made. It is often useful to have a clear timeframe attached to this commitment in your objective statement.

### **21.1.4. Setting Key Performance Indicators**

KPIs are measurements that tell us whether progress is being made in achieving our goals. Indicators should describe performance dimension considered key in measuring performance. The ethos of performance management as implemented in local governments and captured in the Municipal Systems Act and Municipal Planning and Performance Management Regulation rely centrally on the use of Key Performance Indicators.

### **21.1.5. Setting Targets**

The municipality should have clear objectives for its IDP and identified appropriate indicators. Targets are purely goals or milestones for what we intend an indicator to measure at various timeframes. Performance targets are planned level of performance or milestones an organisation sets for itself for each indicator identified. Targets are usually expressed in quantity or time terms.

### **21.1.6. Monitoring**

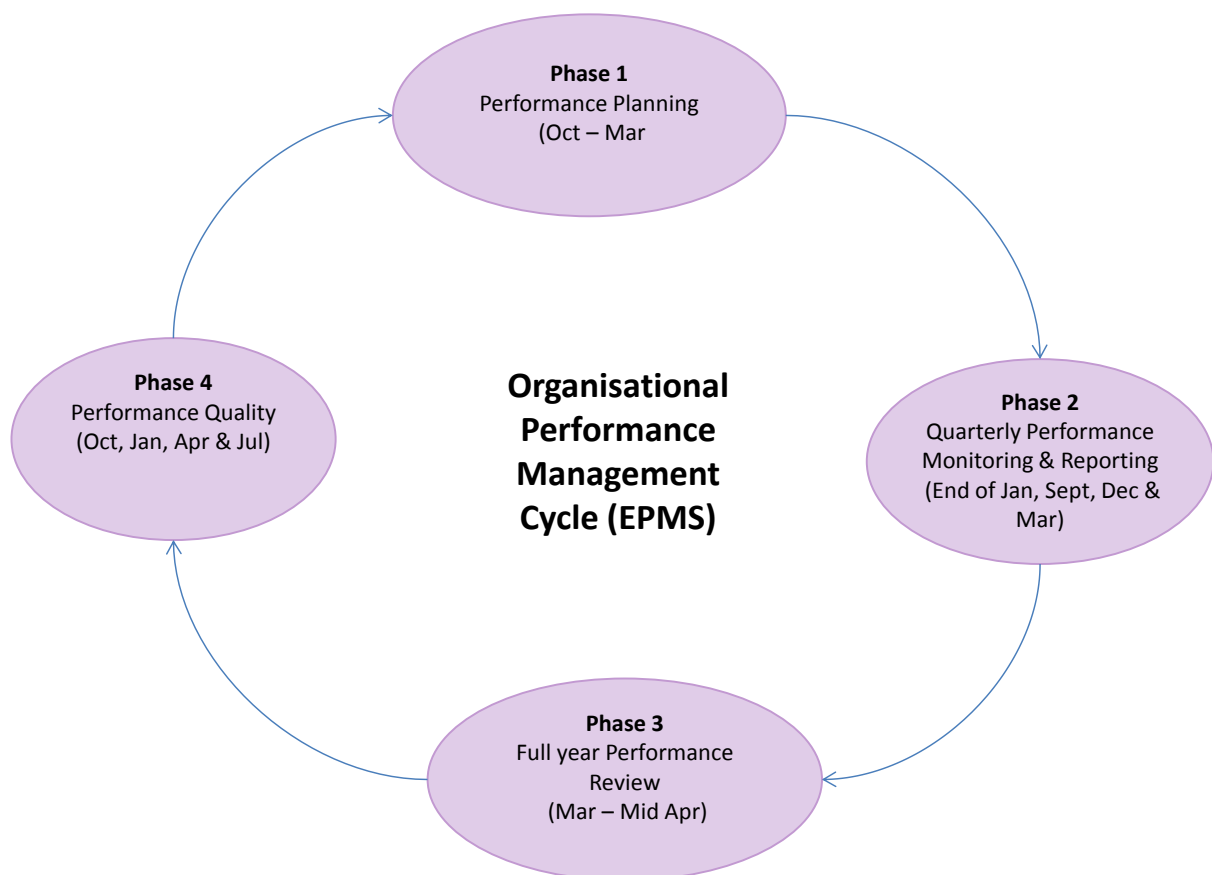
Monitoring is a continuous process of measuring, assessing, analysing and evaluating the performance of the organisation and departments with regard to KPIs and targets. Mechanisms, systems and processes for monitoring should provide for reporting at least twice per annum to the municipal council and the community, it should enable detection of early indication of underperformance and provide for corrective measures.

### 21.1.7. Review

Review includes assessment of the system itself, the framework, targets, and performance targets of departments and performance measurement of employees. It identifies the strengths, weaknesses, opportunities and threats of the municipality in meeting key performance indicators, performance targets and general key performance indicators. It also measures the economy, efficiency, effectiveness in the utilisation of resources and impact in so far as performance indicators and targets set by the municipality are concerned. Performance improvement and adjustment is based on review. The municipality should ensure that the community participates in review.

The organisational performance management cycle has the following processes/phases: Performance planning, performance monitoring & reporting, performance reviewing (evaluation & assessment) and performance auditing.

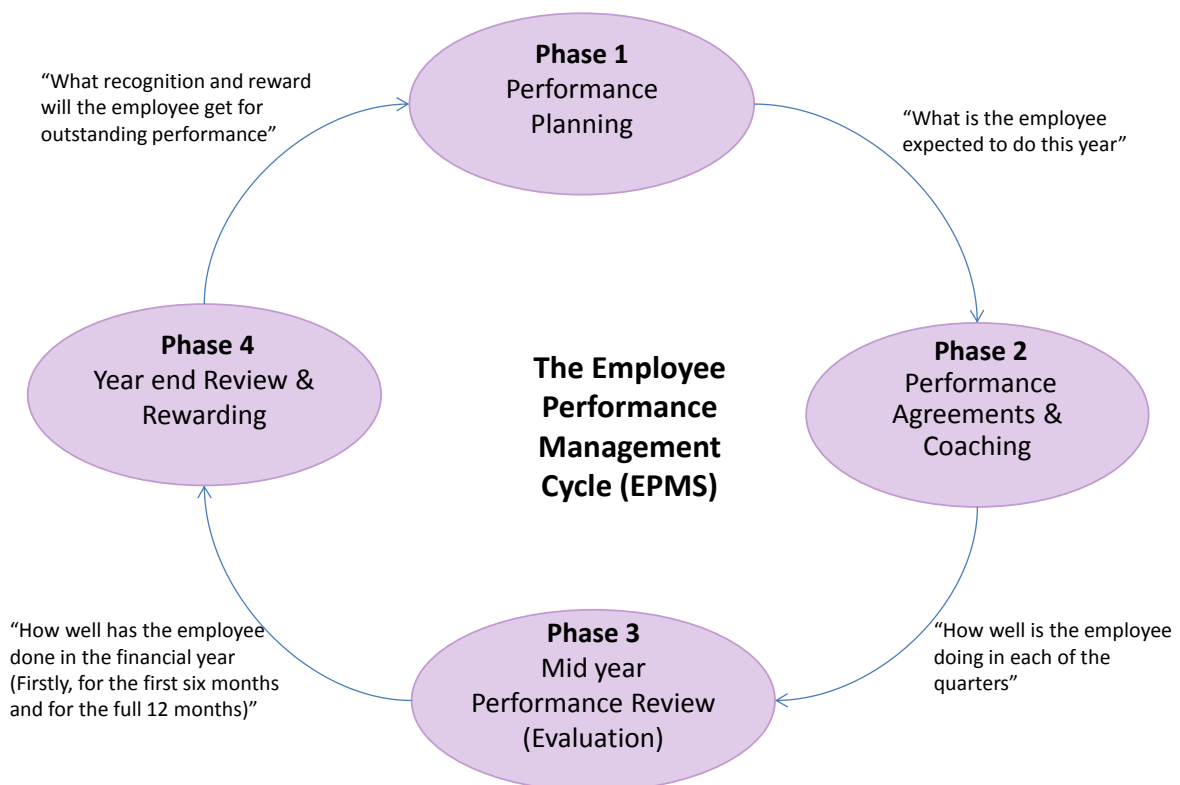
The *Organisational PMS cycle* is presented in the diagram below:



## 21.2. Individual Level

Employee performance management system can be defined as the process through which the planned performance objectives as defined in the Strategic Plan are cascaded into employee's Annual Performance Plans, thus allowing for the planning, coaching and monitoring, reviewing and rewarding of performance, and the enhancement of development, at the level of the individual employee.

The Employee *PMS cycle* is presented in the diagram below:



### 21.2.1. Phase 1: Planning

This is about jointly identifying individual performance expectations and gaining the employee's commitment in achieving these expectations. This also entails the identification of KFA's and indicators, the establishment of year-end targets and the planning for the phasing in of the year-end target into quarterly targets (cumulatively and quarterly).

### 21.2.2. Phase 2: Performance Coaching

This is the phase of continuously tracking and improving performance, through feedback and reinforcement of key results and competencies. This is done with a view to timely detect

performance relapses and to simultaneously introduce speedy remedial actions. A prescribed record sheet is used to record evidence and remedies. During this phase, on a quarterly basis, the actual performance must be determined and be judged against the quarterly obligation as well as the cumulative performance and the standards that have been set in advance. During this phase it is also important to provide and present any evidence proving performance. Although actual measurements are done each quarter, formal performance reviews only are to be done half yearly and year-end provided the documented performance in the first and third quarter is satisfactory.

### **21.2.3. Phase 3: Reviewing**

This phase involves jointly assessing performance against expectations (planned vs. actual performance) at mid-year and year-end.

- Manager to set up formal mid-year review in December to assess the relevance of the objectives and the Employee's performance against the objectives.
- Manager to set up a formal final review in June.

#### ***21.2.3.1. The process for reviewing performance is as follows:***

- Employee to submit all required "evidence" to the Manager.
- Manager to prepare scores of Employee's performance against agreed objectives as a result of the evidence.
- Manager to ask Employee to prepare for formal review by scoring him/herself against the agreed objectives.
- Manager and Employee to meet to conduct formal performance review and agree final scores.
- It may be necessary to have two meetings i.e. give Employee scores and allow him/her time to consider them before final agreement.

Should Employees not agree with the contents of their performance agreement after the planning discussion or with the final scores that are allocated to them by their Manager after the review discussions, they may follow the dispute procedure as outlined in the regulations for section 56 employees and other employees to follow VKLM dispute resolution mechanism.

- Manager and Employee to prepare and agree learning plan – this only needs to be done at the final review in June and not at the mid-year review.



### **21.2.3.2. The Evaluation Panel for Reviewing Performance**

According to the Municipal Performance Management Regulation 2006, Regulation 26 (4d) stipulates that:

For purposes of evaluating the performance of the Employee, an evaluation panel constituted by the following persons will be established – ***(only applicable to the Municipal Manager)***

- Executive Mayor/ Mayor
- Chairperson of the Audit Committee
- Ward committee member (on a rotational basis), where applicable
- Member of the Mayoral Committee
- Mayor and/ or Municipal Manager from another Municipality

For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established. ***(Only applicable to the managers directly accountable to Municipal Manager)***

- Municipal Manager
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee
- Internal Audit
- PMS Manager / Specialist
- Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council
- Municipal manager from another municipality

The terms of reference for the Section 56 employee's evaluation panel are:

- Assess performance against set targets as contained in the scorecards
- Analyse performance report against evidence provided
- Review the internal audit report
- Make recommendations on the overall performance of the employee
- Make recommendations for bonus payments
- PMS Manager / Specialist secretariat role
- Record any deviations that may arise

For purposes of evaluating the annual performance of managers and specialists, an evaluation panel constituted of the following persons must be established.

- Supervisor /Line Manager
- Employee
- HR/PMS specialist

For purposes of evaluating the annual performance of all staff below section 56 employees, an evaluation panel constituted of the following persons must be established.

- Supervisor /Line Manager
- Employee

The terms of reference for evaluation panel for staff below section 56 employees are:

- Assess performance against set targets as contained in the scorecards
- Analyse evidence provided
- Make recommendations for non financial reward
- Record discussions and any amendments made to the signed off scorecard

#### **21.2.4. Phase 4: Year End Review and Rewarding**

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. Permanent employees will initially be awarded non-financial rewards for good performance and ultimately financial rewards will be determined through the National Collective Bargaining process at South African Local Government Bargaining Council (SALGBC).

The following table details timing and activities required for each of the four key phases in the performance management cycle:

<b>Phase</b>	<b>Timing</b>	<b>Activities</b>
PLANNING	July each year i.e. beginning of financial year	<ul style="list-style-type: none"> <li>• Manager to schedule meeting with employee to agree on performance objectives for the year.</li> <li>• Both the Manager and the employee are required to prepare for this meeting.</li> <li>• Manager and employee to sign Performance Agreement.</li> </ul>
PERFORMANCE AGREEMENT AND COACHING	July yearly.	<b>The purpose of performance agreement is to:</b>

		<ul style="list-style-type: none"> <li>• Comply with provision of the employment contract and the MSA, Act 32 of 2000;</li> <li>• Specify objectives and targets defined and agrees as per SDBIP and budget of the municipality;</li> <li>• Specify accountabilities;</li> <li>• Monitor and measure performance against set outputs;</li> <li>• Use as the basis of performance assessment;</li> <li>• Give effect to the employer`s commitment to a performance orientated relationship with its employee in attaining equitable and improved service delivery.</li> </ul>
PERFORMANCE EVALUATION/REVIEWS	Quarterly basis as follows:	<ul style="list-style-type: none"> <li>• The performance of an 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;</li> <li>• The employer must keep a record of the mid-year review and annual assessment meeting;</li> <li>• Performance feedback must be based on the employer`s assessment of the employee`s performance;</li> <li>• The employer will be entitled to review and make reasonable changes to the provisions of the performance plan from time to time for operational reasons on agreement between both parties;</li> <li>• The employer may amend the provision of the performance plan whenever the performance management system is adopted, implemented and/or amended as the case may be on agreement between both parties.</li> </ul>
REWARDING/CORRECTING	Reward in July of each year	<ul style="list-style-type: none"> <li>• The evaluation process will form the basis for rewarding outstanding performance or correcting unacceptable performance;</li> <li>• There are two performance bonus categories, i.e.,9% and 14%</li> <li>• In the case of unacceptable performance, the employer shall apply applicable incapacity due to performance procedures.</li> </ul>

## **22. POLICY REVIEW**

This policy will be reviewed annually and revised as and when it is necessary to do so.

## **23. NOTIFICATION AND AUDITING OF PERFORMANCE INDICATORS AND PERFORMANCE TARGETS**

- The Municipality commits to making known, internally as well as to the general public, the key performance indicators and performance targets set by it for the purposes of its performance management system.
- The results of performance measurements, in terms of Section 41(1) (c), shall be audited annually as part of the municipality's internal auditing processes determined by the Auditor-General

## **24. DOCUMENTATION**

- The criteria upon which the performance of the Municipal Managers and Managers directly accountable to Municipal Managers must be assessed are prescribed in the Municipal Performance Regulations for Section 56 employees, No. R805 dated 01 August 2006.
- While the evaluations must be conducted quarterly, it is the requirement of the foregoing regulations that accurate documentation of the assessment for the second and fourth quarter be drawn and kept (in line with the Records Management System) outlining all the details pertinent to the evaluation proceedings.
- The Performance Assessment Results of the Municipal Manager and his/her Section 56 Managers must be submitted to the Provincial MEC for Local Government as well as the National Minister for Local Government (for the Municipal Manager) within fourteen (14) days after concluding the Performance Assessment.

## **25. CONCLUSION**

Performance management is a process which stretches right through the organisation, from its vision and mission statement, to its goals, objectives and eventually its staff. It applies to

the performance of an organisation as well as to all persons related to it. The *White Paper on Local Government* (1998) states that key mechanisms to ensuring service excellence in municipalities include integrated development planning, performance management and community participation. As a start there are things that a municipality simply must do.

**It must:**

Establish a performance management system that is commensurate with its resources, best suited to its circumstances and in line with its targets, priorities, goals and objectives contained in its IDP. Promote a culture of performance management among its political structures, political office bearers, councillors and administration. Administer its affairs in an economical, effective, efficient and accountable manner (Municipal Systems Act, 2000) as amended.

Appropriate Key Performance Indicators must be established to serve as a yardstick for measuring individual and organisational performance. These key performance indicators should include outcomes and the impact of a performance area with regards to a municipality's development priorities and objectives as set out in its IDP.

The proposed performance management framework is aimed at guiding VKLM in the development of a performance management system which will contribute to improving the municipal performance and enhance service delivery. The framework is developed to provide details which 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.

The process of implementing a performance management system must be seen as learning process, where we are continuously improving the way the system works to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.