



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

Chris Hani District Municipality

Updated Performance Management Framework & System 2012/13

Contents

1	Introduction.....	1
	Section A: Legal and policy context.....	2
2	Policy and Legal Context for Chris Hani District PMS	2
	2.1 The White Paper on Local Government (1998).....	2
	2.2 Batho Pele (1998).....	2
	2.3 Municipal Structures Act (1998).....	3
	2.4 The Municipal Systems Act (2000).....	3
	2.5 Municipal Planning and Performance Management Regulations (2001)	3
	2.6 Municipal Finance Management Act (2003)	4
	2.7 Municipal Performance Management Regulations (2006)	4
	Section B: Performance Management System objective and principles.....	5
3	Objectives of the Performance Management System	5
	3.1 Facilitate increased accountability	5
	3.2 Facilitate learning and improvement.....	5
	3.3 Provide early warning signals.....	5
	3.4 Facilitate decision-making.....	5
4	Principles governing PM	6
	4.1 Simplicity	6
	4.2 Politically driven	6
	4.3 Incremental implementation	6
	4.4 Transparency and accountability	6
	4.5 Integration	6
	4.6 Objectivity.....	7
	Section C: The Performance Management Process	8
5	What do we monitor and review?.....	8
	5.1 What is a model?	8
	5.2 Why do we need a model?.....	8
	5.2.1 Balance	8
	5.2.2 Simplicity	8
	5.2.3 Mapping of Inter-relationships	8

5.2.4	Alignment to the Integrated Development Planning (IDP) methodology	9
5.3	The Revised Municipal Scorecard Model	9
5.3.1	The Municipal Development Perspective	10
5.3.2	The Service Delivery Perspective	10
5.3.3	The Institutional Development Perspective	10
5.3.4	The Financial Management Perspective	11
5.3.5	Governance Process Perspective:	11
5.4	Organisational Scorecards at different levels.....	11
5.4.1	The Institutional Scorecard	12
5.4.2	Directorate Scorecards	12
5.5	Scorecard concepts	13
5.6	Elements of a Good Indicator	14
5.6.1	Focused and Specific	14
5.6.2	Measurable	14
5.6.3	Valid and Relevant	14
5.6.4	Reliable	15
5.6.5	Simple	15
5.6.6	Minimise perverse consequences	15
5.6.7	Data Availability	15
5.7	Core Government Indicators	15
5.7.1	National Indicators	15
5.7.2	Local Government Turnaround Strategy	16
5.7.3	Green Paper: Monitoring & Evaluation	18
5.8	District Indicators.....	19
6	The Process of Managing Performance	19
6.1	Co-ordination	20
6.2	Performance Planning	20
6.3	Measurement and Analysis	21
6.3.1	Performance analysis	22
6.4	Performance Reporting & Reviews	22
6.4.1	Directorate Reviews	23
6.4.2	Management Team Reviews	24
6.4.3	Portfolio Committee Reviews	24
6.4.4	Mayoral Committee Reviews	24
6.4.5	Council Reviews	24
6.4.6	Public Reviews	25
6.4.7	Reporting to other spheres and agencies of government	25
6.5	Auditing and Quality Control	26
6.5.1	Quality Control and Co-ordination	26
6.5.2	Performance Investigations	26
6.5.3	Internal Audit	26
6.5.4	Audit Committee	27

6.6	Role of Stakeholders	28
6.7	Responding to Organisational Performance.....	30
	6.7.1 Good or Exceptional Organisational Performance	30
	6.7.2 Poor Performance	31
7	Employee Performance.....	31
7.1	Issues related to the implementation of regulations	31
	7.1.1 Responsibilities for implementing system	32
	7.1.2 Employment contract	32
	7.1.3 Performance agreement	32
	7.1.4 Performance Plan	34
	7.1.5 Personal Development Plan	35
7.2	Evaluating performance	35
	7.2.1 Evaluators	36
	7.2.2 Process and scoring	36
7.3	Responding to Good Employee Performance by Section 57 managers	38
	7.3.1 Bonuses	38
	7.3.2 Salary Adjustment	Error! Bookmark not defined.
7.4	Comment on ‘Acting’ managers	39
7.5	Responding to Good Employee Performance by non- section 57 employees.....	39
	7.5.1 Mayor’s Merit Award	Error! Bookmark not defined.
	7.5.2 Special Opportunities	Error! Bookmark not defined.
	7.5.3 Promotion	Error! Bookmark not defined.
7.6	Addressing Poor Employee Performance	Error! Bookmark not defined.
7.7	Roll-out	Error! Bookmark not defined.
8	Evaluation and Improvement of the Performance Management System	39
9	Implementation approach.....	40
9.1	Council approval of PM Framework.....	40
9.2	Develop Municipal Scorecard	40
	9.2.1 Conduct training for IDP process	40
	9.2.2 Scorecard workshop	41
	9.2.3 Finalisation	41
	9.2.4 Develop and Finalise MM’s Performance Agreement	41
9.3	Develop Directorate Scorecards and Section 57 Performance Agreements.....	41
	9.3.1 Directorate workshops	41
	9.3.2 Section 57 Performance Scorecards	41
	9.3.3 Load indicators onto Monitoring tool	41
9.4	Establish Institutional Arrangements and Capacity.....	41

9.4.1	A PMS Champion is identified	41
9.4.2	Clarify roles and responsibilities	42
9.4.3	Training on PMS for Internal Audit team	42
9.4.4	Establish Audit Committee	42
9.4.5	Train system users	42

Appendix I: Extracts of relevant policies and legislation43

9.4.6	The White Paper on Local Government (1998)	43
9.4.7	Batho Pele (1998)	43
9.4.8	The Municipal Systems Act (2000)	44
9.4.9	Municipal Planning and Performance Management Regulations (2001)	44
9.4.10	Municipal Finance Management Act (2003)	45

1 Introduction

This document constitutes an updated version for Chris Hani District Municipality's Performance Management Framework and System.

The Municipal Planning and Performance Management Regulations (2001) stipulate that "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, organized and managed, including determining the roles of the different role-players". This document is in line with this requirement

The framework acts as a municipal policy document that defines its performance management system. It constitutes council policy with regards to:

The requirements that a PMS for Chris Hani District will need to fulfil,

- The principles that will inform its development and application,
- A model that describes what areas of performance will be managed, in Chris Hani District Municipality,
- What processes will be followed in managing performance,
- What institutional arrangements are necessary for this,
- Who will take responsibility for parts of the system,
- How this links to S57 Performance agreements,
- How S57 Managers will have their performance managed,

This framework is therefore a documented record of the municipality's performance management system to be implemented.

The remainder of this framework is divided into three sections:

- Section A: Legal and Policy context
- Section B: Performance Management System objectives and principles
- Section C: Performance Management Process

Section A: Legal and policy context

2 Policy and Legal Context for Chris Hani District PMS

2.1 The White Paper on Local Government (1998)

The White Paper on Local Government (1998) suggested that local government introduce the idea of *performance management systems*.

The white paper acknowledges that, "involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced" (The White Paper on Local Government, 1998).

2.2 Batho Pele (1998)

The White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service. Our municipality is duty bound to uphold these principles:

Consultation:

Communities should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services which are provided.

Service standards:

Communities should know what standard of service to expect.

Access:

All communities should have equal access to the services to which they are entitled.

Courtesy:

Communities should be treated with courtesy and consideration.

Information:

Communities should be given full and accurate information about the public services they are entitled to receive.

Openness and transparency:

Communities should know how directorates are run, how resources are spent, and who is in charge of particular services.

Redress:

If the promised standard of service is not delivered, communities should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made communities should receive a sympathetic, positive response.

Value-for-money:

Public services should be provided economically and efficiently in order to give communities the best possible value-for-money.

Importantly, the Batho Pele White Paper notes that the development of a service-oriented culture requires the active participation of the wider community. Municipalities need constant feedback from service-users if they are to improve their operations. Local partners can be mobilized to assist in building a service culture. "For example, local businesses or non-governmental organisations may assist with funding a helpline, providing information about specific services, identifying service gaps or conducting a customer survey" - The White Paper on Local Government (1998).

2.3 Municipal Structures Act (1998)

The Municipal Structures Act Section 19 (2)(a) mandates the council of the municipality to conduct annual reviews of the municipality's overall performance in achieving its set objectives.

2.4 The Municipal Systems Act (2000)

The Municipal Systems Act (2000) enforces the idea of local government PMS and requires all municipalities to:

- Develop a performance management system
- Set *targets*, monitor and *review performance* based on indicators linked to their IDP
- Publish an *annual report* on performance for the councillors, staff, the public and other spheres of government to interact with
- Incorporate and report on a set of *general indicators* prescribed nationally by the minister responsible for local government
- Conduct an *internal audit* on performance.
- Have their annual performance report audited by the Auditor-General
- *Involve the community* in setting indicators and targets and reviewing municipal performance

The Department of Provincial and Local Government has published national guidelines on performance management systems.

2.5 Municipal Planning and Performance Management Regulations (2001)

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal PM systems. However the regulations do not sufficiently constitute a framework that fully proposes how the system will work. Each component of the proposed framework in this document is strongly informed by the regulations.

2.6 Municipal Finance Management Act (2003)

The Municipal Finance Management Act states requirements for a municipality to include its annual municipal performance report with its financial statements and other requirements in constituting its annual report. This must be dealt with by the municipal council within 9 months of the end of the municipal financial year.

2.7 Municipal Performance Management Regulations (2006)

The Local Government Municipal Performance Regulations for municipal managers and managers directly accountable to municipal managers (Government Gazette No.29089, 1 August 2006), sets out how the performance of Section 57 staff will be uniformly directed, monitored and improved. The regulations address both the employment contract and performance agreement of municipal managers and managers directly accountable to municipal managers. It further provides a methodology for the performance management system as well as criteria for performance bonus payments. The regulations also provide an approach for addressing under-performance, should this occur. The regulations will be discussed in greater detail in a later section of this framework document.

Section B: Performance Management System objective and principles

3 Objectives of the Performance Management System

Beyond the fulfilling of legislative requirements, Chris Hani District Municipality requires a performance management system that will be constituted as the primary mechanism to plan for performance management, monitor, review and improve the implementation of the municipality's IDP. This will have to be fulfilled by ensuring that we:

3.1 Facilitate increased accountability

The performance management system should provide a mechanism for ensuring increased accountability between

- The communities of Chris Hani District and the municipal council,
- The political and administrative components of the municipality,
- Each directorate and the office of the municipal manager.

3.2 Facilitate learning and improvement

While ensuring that accountability is maximised, the performance management system must also provide a mechanism for learning and improvement. It should allow for the municipality to know which approaches are having the desired impact, and enable the municipality to improve delivery. It should form the basis for monitoring, evaluation and improving IDP implementation.

3.3 Provide early warning signals

The performance management system should provide managers, the Municipal Manager and the Mayoral Committee with diagnostic signal of the potential risks that are likely to affect the realisation of full IDP implementation. It is important that the system ensure decision-makers are timeously informed of risks, so that they can facilitate intervention, where it is necessary and possible to do so.

3.4 Facilitate decision-making

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly in so far as indicating where the allocation of limited resources should be prioritised.

The functions listed above are not exhaustive, but summarise the intended benefits of the performance management system to be developed and implemented. These intended functions should be used to evaluate the performance management system, periodically.

4 Principles governing PM

The following principles inform and guide the development and implementation of the Chris Hani District performance management system:

4.1 Simplicity

The system must be a simple user-friendly system that enables the municipality to operate it within its existing capacity of its financial, human resources and information management system.

4.2 Politically driven

Legislation clearly tasks the municipal council and mayor as the owner of the performance management system. The Mayoral Committee **must** drive both the implementation and improvement of the system.

Legislation allows for the delegation of this responsibility or aspects of it to the municipal manager or other appropriate structure as the Mayoral Committee may deem fit.

4.3 Incremental implementation

It is important that while a holistic performance management system is being developed, the municipality should adopt a phased approach to implementation, dependent on the existing capacity and resources within the municipality.

It is also important to note that municipal performance management is a new approach to local government functioning and therefore requires adequate time to be given to the organization's process of change. The performance management system will not be perfect from the start it should be constantly improved based on its workability.

4.4 Transparency and accountability

Members of the organisation whose performance will be monitored and measured must ensure that the process of managing performance is inclusive open and transparent. This can only be achieved by taking effective participation in the design and implementation of the system within the municipality.

Again, the process must involve and empower communities so that they are able to understand how the municipality and its directorates are run, how resources are spent, and who is in charge of particular services. Similarly, all information on the performance of directorates should be available for other managers, employees, the public and specific interest groups.

4.5 Integration

The performance management system should be integrated into other management processes in the municipality, such that it becomes a tool for more efficient and effective management rather than an additional reporting burden. It should be seen as a central tool to the ongoing management functions.

4.6 Objectivity

Performance management must be founded on objectivity and credibility. Both the processes of managing performance and the information on which it relies need to be objective and credible. Sources of data for measuring indicators should be scrutinized to enhance credibility of information and therefore objective decision-making.

Section C: The Performance Management Process

5 What do we monitor and review?

International experience in both the private and public sectors has shown that traditional approaches to measuring performance, which have been heavily reliant on only financial measures, are severely lacking.

It has become well accepted that in order to assess an organisation's performance, a balanced view is required, incorporating a multi-perspective assessment of how the organisation is performing as seen by differing categories of stakeholders. To ensure this balanced multi-perspective examination of Chris Hani District's performance, a model has to be developed and adopted to guide performance management in the entire municipal organisation.

5.1 What is a model?

A model for performance management is a conceptual framework that provides guidance as to what aspects of the municipality's performance should be measured and managed.

5.2 Why do we need a model?

Models have proved useful in performance management for the following reasons. They provide:

5.2.1 Balance

A good model will prompt the organisation to take a balanced view in terms of how it measures and manages its performance. It should prevent bias by ensuring that performance measurement does not rely heavily on one facet of performance (i.e. financial viability), but rather encapsulates a multi-perspective holistic assessment of the municipality's performance.

5.2.2 Simplicity

A good model should organise simply, what would otherwise be a long list of indicators attempting to comprehensively cover performance, into a set of categories sufficiently covering all key areas of performance. Models differ most significantly in what they assert are the key aspects of performance.

5.2.3 Mapping of Inter-relationships

A good model will map out the inter-relationships between different areas of performance. These inter-relationships relate to the extent to which poor performance in one category would lead to poor performance in other related areas and the converse. These inter-relationships help in both the planning stage and the review stage, particularly in the diagnosis of causes of poor performance.

5.2.4 Alignment to the Integrated Development Planning (IDP) methodology

A good performance management model for a municipality in South Africa will align the processes of performance management to the IDP processes of the municipality. It will ensure that the IDP is translated into performance plans that will be monitored and reviewed. The categories of key performance areas provided by a model should relate directly to the identified priority areas of the IDP.

5.3 The Revised Municipal Scorecard Model

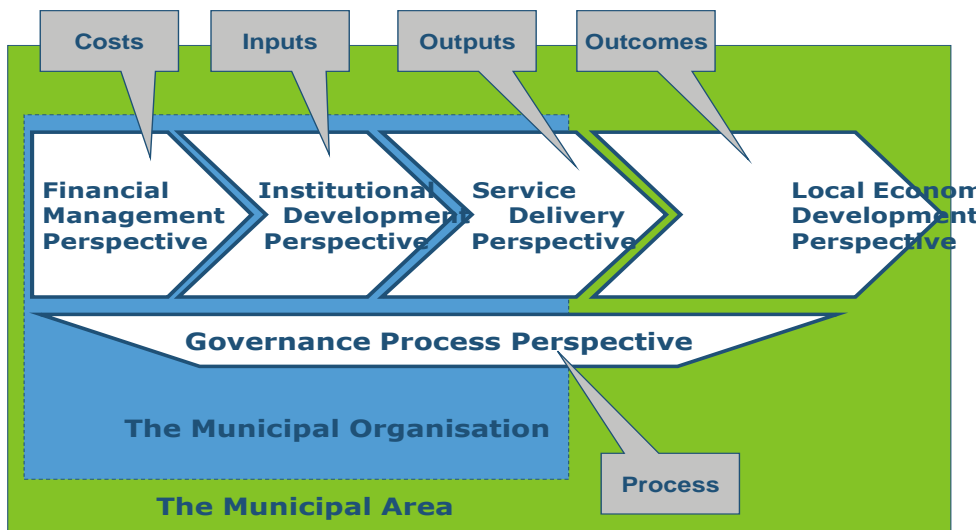
The Chris Hani District municipal council is advised to make use of the Municipal Scorecard Model (as revised in 2006) as its model for performance management. This model is useful for the following reasons. It is:

- Tightly aligned to the strategic planning and IDP processes of the municipality
- Directly relevant to the notion of developmental local government
- A balanced view of performance based on municipal inputs, outputs, outcomes and process
- A simple portrayal of municipal performance, where inter-relationships can be mapped (municipal-wide, sectoral/directorate and unit/programme levels)
- Compliant with the requirements of the Municipal Systems act (2002) and its subsequent Regulations (2001)

The 5 Key Performance Areas from the Five Year local Government Strategic Agenda are

1. Municipal Transformation & Organisational Development
2. Infrastructure development and Service Delivery
3. Local Economic Development
4. Municipal Financial Viability & Management
5. Good Governance & Public Participation

The Municipal Scorecard Model is based on five key perspectives, outlined in figure-1 below.



Source : Palmer Development Group (2006)

Figure 1: Structure of the Municipal Scorecard

5.3.1 The Municipal Development Perspective

In this perspective, the municipality will assess whether the desired development impact in the municipal area is being achieved. It incorporates social, environmental and economic development aspects. This perspective will constitute the development priorities for the municipal area and indicators that tell us whether the desired development outcomes are being achieved. It will be difficult to isolate development outcomes for which the municipality is solely accountable. It is expected that the development priorities and indicators, will often lie within the shared accountability of the municipality, Local Economic Development and other spheres of government and civil society. The measurement of developmental outcomes in the municipal area will be useful in telling us whether our policies and strategies are having the desired development impact.

5.3.2 The Service Delivery Perspective

This perspective should tell us how a municipality is performing with respect to the delivery of services and products. This relates to the output of the municipality as a whole, Local Municipalities and Government departments.

5.3.3 The Institutional Development Perspective

This perspective should tell us how a municipality is performing with respect to the management of its resources:

- Human Resources
- Information
- Organizational Infrastructure
- Asset management

This relates to the inputs of the municipality as a whole.

5.3.4 The Financial Management Perspective

This perspective tells us how a municipality is performing with respect to its financial management

- Operating income
- Operating expenditure
- Financing infrastructure investment
- Capital expenditure

5.3.5 Governance Process Perspective:

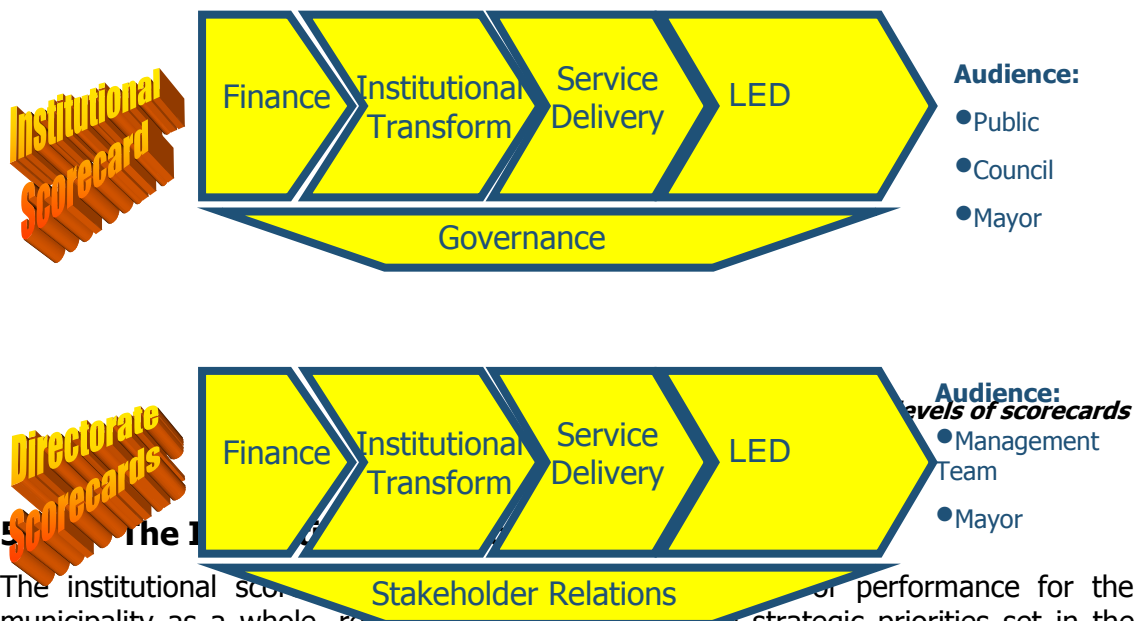
This perspective should tell us how a municipality is performing with respect to its engagement and relationship with its stakeholders in the process of governance. This perspective should include, amongst others:

- Public participation, including the functionality and impact of ward committees
- Functionality and impact of municipal governance structures (council structures including the offices of the speaker, and portfolio committees and executive)
- Access to information
- Intergovernmental relations

This relates to the governance processes of the municipality as a whole.

5.4 Organisational Scorecards at different levels

Chris Hani District has two levels of scorecards as depicted in figure-2 that follows.



The institutional scorecard is a measure of performance for the municipality as a whole, reflecting performance on the strategic priorities set in the IDP.

The Municipal Manager and Directors will use it, after review, as a basis for reporting to the Mayoral Committee, Council and the public. The institutional scorecard has to be reported to the Mayoral Committee quarterly, to Council bi-annually and the Public annually for review.

It must be noted that the Municipal Manager is primarily responsible for performance on the institutional scorecard. As such, the institutional scorecard is closely linked and forms the largest component of how the municipal managers performance will be appraised.

This is dealt with in more detail in the section on employee performance.

5.4.2 Directorate Scorecards

The directorate scorecards will capture the performance of each municipal directorate. Unlike the institutional scorecard, which reflects on the strategic priorities of the municipality, a directorate scorecard will provide a comprehensive picture of the performance of that directorate. It will consist of objectives, indicators and targets derived from the Institutional Score card..

It is crucial to ensure that the directorate scorecards do not duplicate current reporting, but rather be integrated as a core component of the municipality's vertical reporting system. It should simplify all regular reporting from directorates to the municipal manager and portfolio committees.

Directorate Scorecards will be comprised of the following components:

- A development perspective for directorate's outcomes, which set out the developmental outcomes that the service is to impact on - the development perspective of this scorecard will seek to assess the extent to which the strategies that are driven by the directorate are contributing towards the intended developments in the municipal area

- Quarterly targets, which set out the products and services that the directorate will deliver. This perspective will include service delivery targets and performance indicators for each quarter.
- Institutional Transformation perspective, which sets out how the directorate will manage and develop its Human resources, Information and Organisational Infrastructure
- Financial Management Perspective will include
 - projections of revenue to be collected by source
 - projections of operational and capital expenditure by vote

Performance reporting on this section of the scorecard will be in terms of actual against projections

- Stakeholder Relations, which sets out how the directorate will improve its relationship with its key stakeholders

Performance in the form of a directorate scorecard will be reported to the Municipal Manager and relevant portfolio committee for review. It is suggested that this happen quarterly.

It must be noted that the relevant S56 and 57 Manager is primarily responsible for performance on the directorate scorecard. As such, the directorate scorecard is closely linked and forms the largest component of how the S57 manager's performance will be appraised. This is dealt with in more detail in the section on employee performance.

5.5 Scorecard concepts

The institutional and directorate scorecards should be presented in a consistent format so that they are easy to use and understand. Several concepts that are commonly used in the scorecard concept are defined below:

Objectives: are statements (often drawn from the IDP) about what a service wants to achieve.

Indicators: are variables (qualitative or quantitative) that tell us whether we are making progress towards achieving our objectives.

A baseline measure: is the value (or status quo) of the indicator before the start of the programme or prior to the period over which performance is to be monitored and reviewed. For the purpose of standardising the setting of baselines and for the sake of clarity, the following descriptions will be used:

- If the indicator is measurable on an annual basis, the baseline will be its measure in the last financial year.
- The baseline for annual targets that are incrementally measurable per quarter or per month will be the measure at the end of the last financial year but the targets can be set incrementally
- The baseline for quarterly targets that are not incrementally contributing to an annual target will be the indicator's measure in the last quarter it was measured

unless by its nature it is seasonally variable in which case it will be an average of the last four quarterly measures

- The baseline for monthly targets, that are not incrementally contributing to a quarterly or annual target, will be its measure in the last month it was measured unless by its nature it varies monthly in which case it will be an average of the last three monthly measurements

A target: is the value (or desired state of progress) of the indicator that is intended to be achieved by a specified time period.

The diagram below provides a graphical representation of how some of the key scorecard concepts link together:

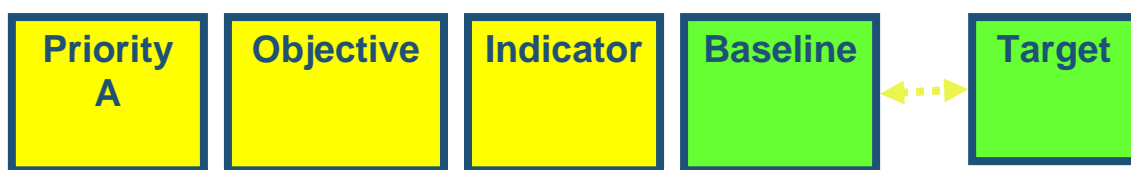


Figure 3 Linking key scorecard concepts

In addition to the above, the following are also important scorecard concepts:

The measurement source and frequency: should indicate where the data for measuring will emanate from, and how frequently the indicator will be measured and reported. This information is crucial for the auditing process.

Indicator custodian: refers to the person that takes responsibility for the monitoring of change in the indicator and report on it.

The performance management plan for Chris Hani District has suggested various indicators for the goals that are set in the IDP. These indicators including those that will be further developed for directorate scorecards should be assessed against the following criteria.

5.6 Elements of a Good Indicator

In developing indicators, the municipality will ensure that adheres to the following principles:

5.6.1 Focused and Specific

Indicators should be clearly focused and stated unambiguously.

5.6.2 Measurable

An indicator should by definition contain a unit of measurement.

5.6.3 Valid and Relevant

Validity is the degree to which an indicator measures what is intended to be measured. This correlates strongly to the relevance of the indicator to the objective being

measured. It is also important that the whole set of indicators chosen should be contextually relevant to the Chris Hani District municipal and South African contexts.

5.6.4 Reliable

Reliability is the degree to which repeated measures, under exactly the same set of conditions will produce the same result. This is particularly relevant to those indicators that use ratios (formulas) and figures.

5.6.5 Simple

Good indicators will be simple, easy to communicate such that their relevance is apparent.

5.6.6 Minimise perverse consequences

Poorly chosen indicators, while nobly intended can have perverse consequences in the behaviours it incentivizes. Chosen indicators should ensure that the performance behaviours likely to emerge from its pursuance are those that are intended to contribute to the objectives.

5.6.7 Data Availability

Good indicators will also rely on data that is, or intended to be, available on a regular basis.

5.7 Core Government Indicators

5.7.1 National Indicators

The municipality's performance management indicators will incorporate the following indicators prescribed by the Minister of Provisional and Local Government as per the Municipal Planning and Performance Management Regulations of 2001:

1. The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
2. The percentage of households earning less than R1100 per month with access to free basic services;
3. The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
4. The number of jobs created through municipality's local economic development initiatives including capital projects;
5. The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
6. The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
7. Financial viability as expressed by the following ratios:

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

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.

While there is no legal requirement to incorporate any other local government performance monitoring indicators used by other spheres of government other than those prescribed by the Minister, Chris Hani District municipality will, in addition to indicators prescribed by the Minister, as practically feasible as possible incorporate a core set of local government indicators used by other spheres of government into its performance management system.

5.7.2 Local Government Turnaround Strategy

The Local Government Turnaround Strategy (LGTAS) is a high level government wide response to the challenges facing local government in South Africa, which was approved by Cabinet in December 2009. Its aim is to put municipalities on a path of responsive and accountable service delivery. The strategy aims to achieve this by counteracting forces that undermined the system of local government. Among these, which are critical to performance management, are: lack of municipal accountability to citizens and its staff. According to the strategy, an ideal municipality must be accountable to both the local community and its staff members. Effective monitoring and evaluation of performance is another aspect encouraged by the strategy which promotes accountability at all levels.

5.7.3 Service Delivery Agreements (Outcome 9)

The Minister for Cooperative Governance and Traditional Affairs, Sicelo Shiceka has met with all the Mayors and MEC's for local government to discuss and finalize Performance and Service Delivery Agreement which clarify outputs and deliverables that must be met by local government and the provinces in this term of service delivery. Government outcome 9 commits COGTA Minister to develop a local government system which is efficient, effective, responsive and accountable. This

outcome forms basis of COGTA Minister's PA which will be cascaded through local government MEC's and Mayors.

Executive Mayor's service delivery agreement linked to the outputs make specific reference to the following:-

1. Output 1: Implement a differentiated approach to municipal financing, planning and support

Support to local municipalities under the district considering their unique circumstance. Support the filling of critical posts of Municipal manager, town planner, CFO, Technical and engineering services, Communications and Corporate services

Responsible department/s: Corporate services, Strategic Services

2. Output 2: Improving access to Basic services

Improve universal access to basic services by 2014 as follows:

- Water from 92% to 100%
- Sanitation from 69% to 100%
- Refuse removal from 64% to 75%
- Electricity from 81% to 92%
- Consider the establishment of a Bulk Infrastructure fund to better align and coordinate municipal infrastructure funding with a view to:

Unlock delivery of reticulation services

Fund bulk infrastructure

- Align Provincial Infrastructure Grants and municipal Infrastructure Grants with housing projects and grants
- Upgrade and rehabilitate bulk infrastructure (such as waste water treatment works)

Responsible departments: Engineering and technical

3. Output 3: Implement of community work programme and support job creation

Provision of employment safety net, in recognition that sustainable employment solutions will take time, and will reach the most marginalised last.

- Supplement other livelihood strategies and not to replace or displace them, with no expectation that participants will be able to exit into sustainable jobs anytime soon. Contribute to the development of public assets in poor communities; it contributes to income security for participants, provides work experience, enhances dignity and promotes social and economic inclusion – all which strengthen the economic agency of people in marginalised economic areas.
- Strengthen community development approaches

Responsible departments: Corporate services, Strategic services (public participation and SPU), Health and Community services, LED and Engineering.

4. Output 4: **Output 4 – Actions supportive of human settlement outcomes**

Initiate actions to release public land for low income and affordable housing to support the delivery of housing units on “well located land” with a 30 to 45 minute journey to work and services and using less than 8% of disposable income for transport by 2014

Support the expansion of the national upgrading support programme in Priority Municipalities to facilitate the upgrading of informal settlements;

Specifically support the grading and rezoning of informal settlements by priority municipalities

Responsible Department: IPED

5. **Output 5: Deepen democracy through a refined Ward Committee Model**

Strengthen our people-centred approach to governance and development through:

Putting support measures in place to ensure that at least 90% of all **Ward Committees** are fully functional by 2014

Find a new approach to better resource and fund the work and activities of Ward Committees

Responsible department: Strategic services

6. **Output 6: Improve municipal financial and administrative capability**

Improve audit outcomes;

Reduce municipal debt;

Reduce municipal overspending on operational expenditure (OPEX);

Reduce municipal under spending on capital expenditure (CAPEX)

Increased municipal spending on repairs and maintenance; and

Support access to basic services through improved administrative and HR Practices

Responsible department: Finance (key) and all other departments

Output 7: Single window of coordination

Through IGR Forum – becomes the single window of coordination of all government departments within the district, public entities.

Responsible department – Strategic Services

5.7.4 Green Paper: Monitoring & Evaluation

The Green Paper on Monitoring and Evaluation is a discussion document aimed at institutionalising the Government-Wide Monitoring and Evaluation system. The

discussion document is based on the priorities of the Medium Term Strategic Framework, which are derived from the ruling party's election manifesto. The document also introduces outcome performance system as it is of the view that citizens are not interested in processes but in outcomes, hence the importance of having a renewed focus on improving input, output and outcome measures is encouraged. It should however be noted that the purpose of outcomes performance systems is wider than just measuring outcomes and outputs, it is a mechanism that seek to guide the direction of policy implementation. For this system to work, someone will have to be held accountable. The Green Paper calls for accountability measures to go beyond the usual directorate and individual performance management scope, to holding political and management staff accountable.

5.8 District Indicators

In order to align with a district PMS system, the municipality will also include a set of indicators required by the district PMS. A district Score card will be developed which will outline all the district activities by CHDM, Local municipalities, Government departments and Government parastatals. Reports on progress pertaining to service delivery plans shall be table in the IGR meetings for interaction with as well as challenges pertaining to district at large. The purpose is to strengthen delivery of services to the community by all and that information is shared amongst all stakeholders.

6 The Process of Managing Performance

The process of performance management is central to modern notions of management i.e. it is inseparable from the things that a manager must do. It is important that performance management is mainstreamed in municipalities as an approach to daily management.

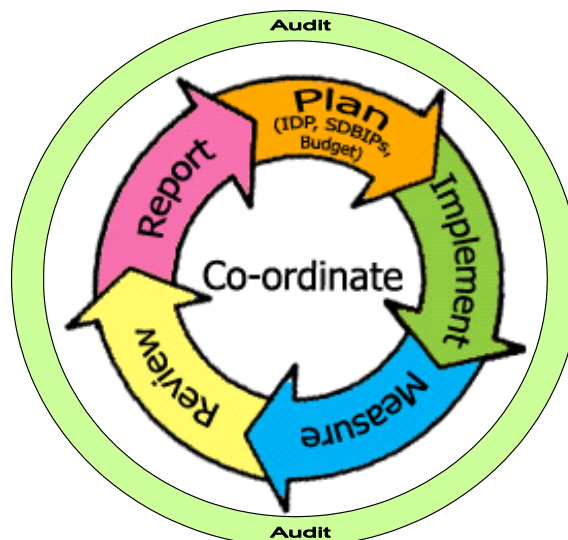


Figure 4: Performance Management as an Approach to Management

The annual process of managing the performance of the Chris Hani District Municipality will involve the following components:

- Co-ordination
- Performance Planning
- Performance Measurement, Analysis
- Performance Reviews & Reporting
- Performance Auditing

For each of these components, this chapter sets out the role stakeholders in the performance management system will play and how these components are to happen.

6.1 Co-ordination

Oversight over co-ordination of the implementation of the planning, measurement, reporting and review process is delegated to a Performance Management Team made up of:

- Municipal Manager
- Director: Strategic Services
- The CFO
- Director: Corporate Services
- The Mayor and two other councillors who are members of the Mayoral Committee appointed by the Mayoral Committee, who exercise oversight on receipt of reports.

The Mayor, as the chairperson of this team, will be accountable to the Mayoral Committee with regard to the work of the team.

The responsibility for performance management and the IDP are ideally to be located together, in Municipal Manager's Office. Furthermore, these functions are best placed at the strategic core of the municipality, in the office of the Municipal Manager and not in any specific line department. This is because PMS is an overarching institutional function.

6.2 Performance Planning

The IDP, Institutional Scorecard and the Service Delivery and Budget Implementation Plans constitute the planning components for performance management. Through the IDP review process the strategic objectives, strategies and the institutional scorecard will be finalised. The next step is to develop directorate scorecards that should support the realisation of the objectives and targets set in the institutional scorecard. With these in place, the Municipality is now on track to implement and monitor the implementation of the IDP.

The following diagram shows the link between the IDP objectives and strategies and the directorate scorecard.

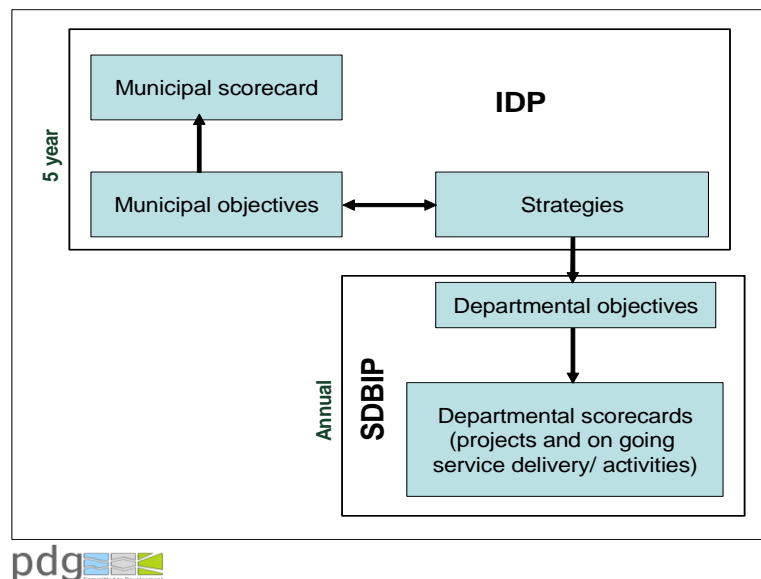


Figure 5: Municipal planning

6.3 Measurement and Analysis

Measurement is the act of collecting data on identified performance indicators while analysis is the act of interpreting the meaning of such data in terms of performance.

For each Municipal Scorecard indicator, a relevant custodian has to be designated. The custodian will not necessarily be accountable for performance he/she will be responsible for conducting measurements of the applicable indicators, analysing and reporting these for reviews.

Analysis requires that current performance be compared with targets, past performance and possibly the performance of other municipalities, where data is available, to determine whether or not performance is poor. It should provide reasons for performance levels and suggest corrective action where necessary.

There may be indicators that would require data gathering on municipal-wide outcome indicators and satisfaction surveys. This may need to be co-ordinated centrally instead of each directorate doing its own. The Office of the Municipal Manager will be responsible for this.

The Office of the Municipal Manager may also undertake the following annual surveys to provide data for indicators organisationally:

- An annual citizen satisfaction survey conducted for households and business in the Chris Hani District Municipality area.
- An employee satisfaction survey that is conducted internally.

These surveys will contribute towards adding depth and quality to the data sources which the municipality draws on when assessing its performance.

Reviews will be undertaken by the Municipal Manager, a committee of Councillors delegated a responsibility for performance management, and Council. Prior to reviews taking place, performance reporting will need to be tracked and co-ordinated. The Municipal Manager's Office will be responsible for this process.

The Municipal Manager's Office will provide an overall analysis of municipal performance, for quarterly and annual reviews. Such an analysis will aim to pick up trends in performance over time and over all directorates.

6.3.1 Performance analysis

Performance analysis is often conducted when an organisation wants to improve its services and wants to determine what is needed to achieve this goal. Performance analysis is also conducted when an organisation is faced with a challenge relating to its performance. The analysis of performance is useful as it assist the organisation to discover its present level of performance and the performance level it requires in order to achieve its goals. Organisational performance analysis does not only require individual performance analysis but also analysis of organisational needs, job performance needs and training needs. The holistic view of the organisation will assist in finding out what causes the gap, which is defined as the needs of the organisation minus the present performance levels.¹

When conducting performance analysis of an organisation, it is recommended to take a long term approach. This will assist in ensuring that the improvement of the organisational performance ties in with the vision, mission and values of the organisation. Once the gap is understood, the organisation needs to respond with how the gap will be bridged.

Having noted the importance of a long-term view, the analysis of performance is an on-going exercise. It is the responsibility of each directorate to understand what its own performance levels and trends are, as well as the factors underlying its performance. In terms of organisational performance analysis, the Municipal Manager's office is better placed to conduct performance analysis. This emphasises the importance of placing the PMS unit in the strategic position within the organisation, such as the MM's office in the case of Chris Hani District. The major performance analysis activity of the municipality is the drafting of the Annual Report which reflects on annual performance across the institution. In addition this informs future planning activities such as the drafting of the municipal budget and the development of the IDP. The different directorates also have a responsibility for ensuring that their performance is in line with the vision, mission and values of the organisation. They also have a responsibility to work with the Municipal Manager's office in ensuring integrated performance management within the municipality, including on-going reflection and analysis of performance.

6.4 Performance Reporting & Reviews

¹ Phillips, J. & Phillips, P. "Reasons Why Training & Development Fails and What You Can Do About It." *Training Magazine*, September 2002 (pp. 78-85).

The figure below aims to provide a picture of the annual process of reporting and reviews.

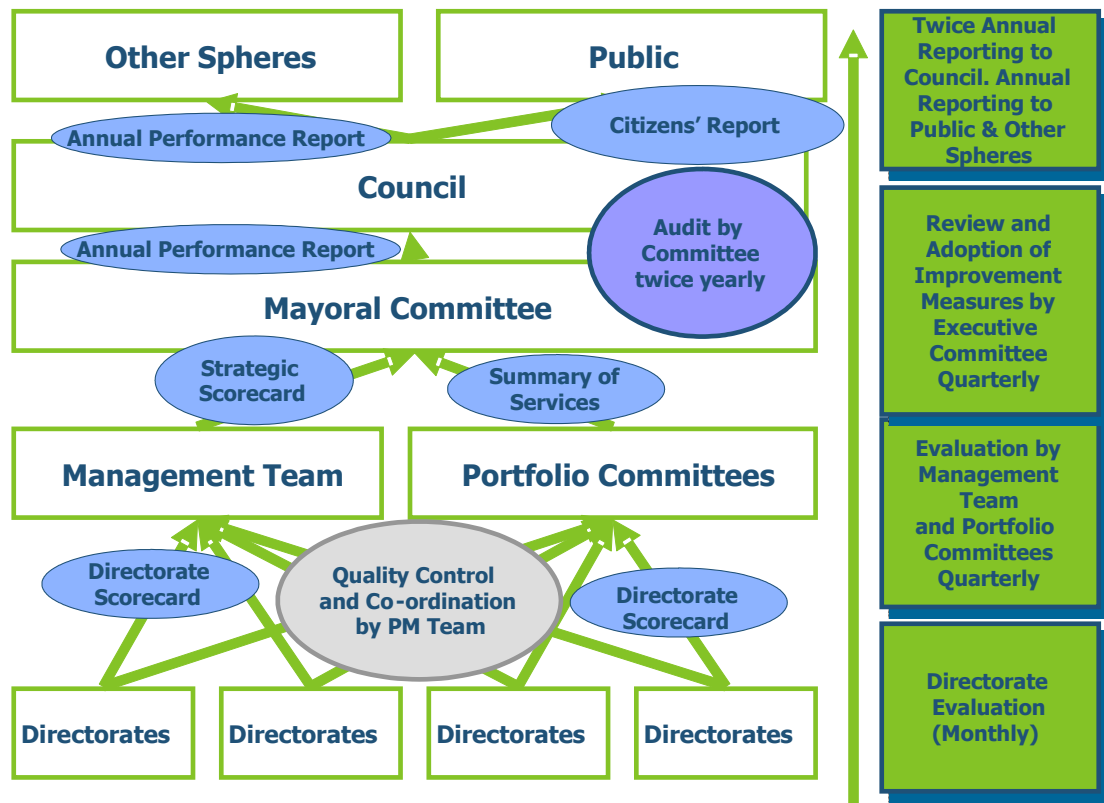


Figure 6: The annual process of reporting and review

Once the system is embedded, a web-based reporting system will be considered in order to enhance the reporting process and simplify it. It must however be noted that a computer based automating system will only enhance the reporting processes within the municipality and potentially improve review processes. Most aspects of performance management still need human beings.

6.4.1 Directorate Reviews

It is intended that directorates review their performance at least monthly, using their directorate scorecards. Decision-makers should be immediately warned of any emerging failures to service delivery such that they can intervene if necessary.

Directorates should use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. Minutes of these reviews should be forwarded to the performance management team. Changes in indicators and targets may be proposed at this meeting but can only be approved by the relevant portfolio committee, in consultation with the Municipal Manager. The review of the SDBIP should be done bi-annually (half-yearly) immediately after the approval of the adjustment budget. This is where indicators and targets can be revisited so as to align them with the adjustment budget.

6.4.2 Management Team Reviews

Directorates will then need to report on their performance in the directorate scorecard format to the municipal manager. Additional indicators that occur in the institutional scorecard will also be reviewed bi-annually (half-yearly). The formulation of the institutional scorecard and the process of review will be co-ordinated by the performance management team.

The management team will need to reflect on whether targets are being achieved, what are the reasons for targets not being achieved where applicable and corrective action that may be necessary. Where targets need to be changed, the management team can endorse these, for approval by the portfolio committee. The management team can delegate tasks to the performance management team in developing an analysis of performance prior to management team reviews. These reviews should at least take place quarterly.

6.4.3 Portfolio Committee quarterly Reviews

Each portfolio committee will be required to review the performance of their respective directorates against their directorate scorecard, at least quarterly. The portfolio committee should appraise the performance of the service against committed targets. Where targets are not being met, portfolio committees should ensure that the reasons for poor performance are satisfactory and sufficient, and the corrective strategies proposed are sufficient to address the reasons for poor performance. Changes in indicators and targets that do not appear in the institutional scorecard may be proposed to and can only be approved by the relevant portfolio committee, in consultation with the Municipal Manager's office. Changes in indicators and targets that fall within the institutional scorecard will need to be approved by the Mayoral Committee. Reports by Portfolio Committee to the Mayoral committee on the performance.

6.4.4 Mayoral Committee Reviews

On a quarterly basis, the Mayoral Committee should engage in an intensive review of municipal performance against the institutional scorecard, as reported by the municipal manager.

Many of the indicators in the institutional scorecard will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance in terms of both scorecards.

The review should reflect on the performance of services and the institutional scorecard. The Mayoral Committee will need to ensure that targets committed to in the institutional scorecard are being met, where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the reasons for poor performance.

The review should also focus on reviewing the systematic compliance to the performance management system, by directorates, portfolio committees and the Municipal Manager.

6.4.5 Council Reviews

At least twice annually, the council will be required to review municipal performance. The institutional scorecard should be used for this reporting in an annual report. The Municipal Systems Act requires that the annual report should at least constitute a

performance report (the institutional scorecard), financial statements and an audit report from the Auditor General.

6.4.6 Public Reviews

The Municipal Systems Act requires the public to be given the opportunity to review municipal performance.

In addition to the annual report mentioned above, a user-friendly community's report should be produced for public consumption. The communities' report should be a simple, easily readable and attractive document that translates the institutional scorecard for public consumption.

It is also proposed that a public campaign be annually embarked on to involve communities in the review of municipal performance. Such a campaign could involve the following methodologies:

- Local Municipalities be reported to and submit their review of the municipality to council. The performance management team should be used to summarise this input.
- Various forms of media including radio, newspapers and billboards can be used to convey the communities' report. The public should be invited to submit comment via telephone, fax, email and public hearings to be held in a variety of locations.
- The public reviews should be concluded by a review by the IDP Representative Forum and through Roadshows.

6.4.7 Reporting to other spheres and agencies of government

Auditor General and MEC

The Systems Act requires the municipal manager to give written notice of meetings, in which the municipality's the annual report, is tabled or discussed by the Council, to the Auditor-General and the MEC for local government. The Municipal Manager must also submit copies of the minutes of these meetings to the Auditor-General and the MEC for local government in the province. Representatives of the Auditor-General and the MEC for local government in the province are entitled to attend and to speak at such meetings. A copy of the report must be submitted to the MEC for local government in the province and the Auditor-General.

Table 1: Reporting and Reviews

<i>Reporting Structure</i>	<i>Reviewing structure</i>	<i>Report</i>	<i>When</i>
Directorates	Management Team	Directorate Scorecard	Quarterly
Directorates	Portfolio Committee	Directorate Scorecard	Quarterly
Portfolio Committee	Mayoral Committee	High Level Summary	Quarterly
Management Team	Mayoral Committee	Institutional Scorecard	Quarterly
Mayoral Committee	Council	Institutional Scorecard	Twice a year
Council	Public (IDP Forum)	Citizen's report	Annually
Council	Province	Annual Report	Annually

6.5 Auditing and Quality Control

All auditing must cover Section 14 of the Municipal Planning and Performance Management Regulations (2001). Auditing of performance reports will be conducted by the internal audit structure and be submitted to the Municipal Manager and Audit Committee, on a quarterly basis.

6.5.1 Quality Control and Co-ordination

Directorates, overseen by and reporting regularly to the Municipal Manager's office, will be required on an ongoing basis to co-ordinate and ensure good quality of reporting and reviews. It will be its role to ensure conformity to reporting formats and check the reliability of reported information, where possible.

Data validation

Data validation takes place at each stage of the PMS process in that the individuals responsible for the performance reports need to ensure that their data is accurate and quality checks should be exercised by the report recipient.

At the institutional level, data validation is essentially the shared responsibility of the Internal Audit team and the Strategic Management.

Portfolio of evidence

It is important to note that the scorecard reports submitted by directorates and by the Municipal Manager in the case of the institutional scorecard should be accompanied by portfolio of evidence each time they are submitted.

6.5.2 Performance Investigations

The Mayoral Committee or Audit Committee will be able to recommend in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on a random ad-hoc basis. Performance investigations should assess

- The reliability of reported information
- The extent of performance gaps from targets
- The reasons for performance gaps
- Corrective action and improvement strategies

While the internal audit function may be used to conduct these investigations, it is preferable that external service providers, preferably academic institutions, who are experts in the area to be audited, should be used. Clear terms of reference will need to be adopted by the respective committee.

6.5.3 Internal Audit

The municipality's internal audit function will be continuously involved in auditing the performance reports of directorate scorecards and the institutional scorecard. As required by the regulations, they will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager and Audit Committee.

Auditing is necessary to identify:

- Inconsistencies in performance management definition or methodology of data collection;
- Incorrect processing and poor documentation of performance management;
- Biased information collection and reporting by those whose image is at stake in the performance management process.

The Regulations specify that any auditing must include assessment of:

- The functionality of the municipality's performance management system;
- The compliance of the system with the legislation; and
- The extent to which performance measurements are reliable in measuring performance of the municipality

6.5.4 Audit Committee/ Performance Audit Committee

In structuring the Audit committee, Council needs to ensure that the:

- majority of members of the committee are not councillors or employees of the municipality;
- chairperson of the committee is neither a councillor nor an employee of the municipality;
- members of the committee have credibility within all Chris Hani District's communities and organs of civil society; and the
- composition of the audit committee sufficiently caters for the following competencies:
 - an understanding of performance management
 - an understanding of municipal finances
 - an understanding of development
 - an insight into the municipality's IDP objectives

The operation of this audit committee will be governed by section 14 (2-3) of the regulations.

As per the regulations, the audit committee will

- review the quarterly reports submitted to it by the internal audit unit
- review the municipality's performance management system and make recommendations in this regard to the council of that municipality
- assess whether the performance indicators are sufficient
- at least twice during a financial year submit an audit report to the municipal council

The audit committee be also be tasked with reviewing the quarterly reports submitted.

In order to fulfil its function a performance audit committee may, according to the regulations,

- communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;

- access any municipal records containing information that is needed to perform its duties or exercise its powers;
- request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

6.5.5 Municipal Public Accounts Committee

MPAC is established in terms of section 79 of the Municipal Structures Act and performs an oversight function on behalf of council and is not a duplication of other committees of council, such as the Finance Committee or that of the Audit Committee. MPAC will undertake and manage similar functions and responsibilities for municipalities, as undertaken by the Standing Committee on Public Accounts in the national and provincial legislatures.

They are responsible for overseeing the performance information of the municipality and municipal entities.

6.6 Role of Stakeholders

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting & Reviews
<i>Community Structures and IDP Forum</i>	<ul style="list-style-type: none"> • Be consulted on needs • Develop the long term vision for the area • Influence the identification of priorities • Influence the choice of indicators and setting of targets 		<ul style="list-style-type: none"> • Be given the opportunity to review municipal performance and suggest new indicators and targets
<i>Mayor</i>	<ul style="list-style-type: none"> • Responsible for managing development of PMS and assign responsibilities in this regard to MM • Play the leading role in giving strategic direction and developing strategies and policies for the organisation • Manage the development of an IDP • Enters into performance agreement with Municipal Manager on behalf of Council 		<ul style="list-style-type: none"> • Plays a leading role in evaluating the performance of the Municipal Manager against the Institutional Scorecard • Reports on organisational performance to relevant MEC

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting & Reviews
<i>Council</i>	<ul style="list-style-type: none"> Facilitate the development of a long-term vision (IDP). Develop strategies to achieve vision Identify priorities for the financial year. Adopt indicators and set targets 		<ul style="list-style-type: none"> Review municipal performance bi-annually Report back to community through established structures such as ward committee meetings
<i>Portfolio (S79) Committees</i>	<ul style="list-style-type: none"> Influence the preparation of directorate scorecards Adopt directorate scorecards Ensure involvement of communities in the setting of municipal targets (IDP) 	<ul style="list-style-type: none"> Monitor performance of relevant services 	<ul style="list-style-type: none"> Receive reports from service managers Review monthly directorate scorecards Report to Mayco Adopt corrective actions where necessary and recommend to Mayco
<i>Mayoral Committee</i>	<ul style="list-style-type: none"> Play the leading role in giving strategic direction and developing strategies and policies for the organisation Manage the development of an IDP Approve and adopt indicators and set targets Communicate the plan to other stakeholders 		<ul style="list-style-type: none"> Conduct the major reviews of municipal performance, determining where goals had or had not been met, what the causal reasons were and to adopt response strategies
<i>Municipal Manager</i>	<ul style="list-style-type: none"> Has responsibilities assigned by the Mayor regarding the PMS Manage the drafting and implementation of the IDP Plays a leading role in the development of the Institutional Scorecard (which is his/her personal scorecard) Enter into Performance Agreement, in line with Regulations (2006) requirements 	<ul style="list-style-type: none"> Plays a leading role in monitoring implementation of IDP Ensure that regular reporting and monitoring by directorates takes place 	<ul style="list-style-type: none"> Play a leading role in the evaluation of performance of directorates, including conducting quarterly reviews

Stakeholders	Performance Planning	Measurement and Analysis	Performance Reporting & Reviews
<i>Management Team</i>	Assist the Mayoral Committee in <ul style="list-style-type: none"> • providing strategic direction and developing strategies and policies for the organisation • Manage the development of the IDP • Ensure that the plan is integrated • Identify and propose indicators and targets • Communicate the plan to other stakeholders • Develop SDBIPs & Budget 	<ul style="list-style-type: none"> • Regularly monitor the implementation of the IDP, identifying risks early • Ensure that regular monitoring (measurement, analysis and reporting) is happening in the organisation • Intervene in performance problems on a daily operational basis 	<ul style="list-style-type: none"> • Conduct quarterly reviews of performance • Ensure that performance reviews at the political level are organised • Ensure the availability of information • Propose response strategies to the Mayoral Committee • Report to Exco
<i>Directors or General Managers</i>	<ul style="list-style-type: none"> • Develop service plans for integration with other sectors within the strategy of the organisation 	<ul style="list-style-type: none"> • Measure performance according to agreed indicators, analyse and report regularly • Manage implementation and intervene where necessary • Inform decision-makers of risks to service delivery timeously 	<ul style="list-style-type: none"> • Conduct reviews of service performance against plan before other reviews
<i>Internal Audit</i>			<ul style="list-style-type: none"> • Produce quarterly audit reports for MM and Audit committee
<i>Audit Committee</i>			<ul style="list-style-type: none"> • Review internal audit reports • Assess system and indicators • Provide audit report twice annually to council

6.7 Responding to Organisational Performance

This outlines how the municipality may reward good organisational performance and address poor organisational performance.

6.7.1 Good or Exceptional Organisational Performance

There will be a Mayoral Award for excellent performance that can take the form of rotating trophies or plaques for the best four directorates annually. These could relate to performance of the Portfolio Committee and be designated as:

- Platinum – 100% achievement of all targets
- Gold – 90 – 99% achievement of all targets
- Silver – 80 – 89% achievement of all targets
- Bronze – 70 – 79% achievement of all targets

An annual entertainment fund can be used to provide funds for at least the Platinum winners to entertain themselves as determined by the Executive on an annual basis.

6.7.2 Poor Performance

Poorly performing directorates will be asked to provide an explanation and analysis of poor performance. If this is insufficient, an investigation will be conducted to deepen the understanding of the underlying problems, whether they be policy-related, systemic, structural or attributed to the poor performance of individuals.

This section does not deal with employee performance and rewarding good performance and addressing poor employee performance. These are dealt with at the end of the next section.

7 Employee Performance

This section focuses on the performance management arrangements for employees of the municipality. The following framework can be used for all employees. However the legal framework that underpins it requires that it be enforced for all Section 57 Managers. The municipality will incrementally roll-out this system for all employees by developing a cascading Framework that deals with employee performance.

The legislation upon which this is based includes:

- *The Local Government Municipal Systems Act*, No. 32 of 2000.
- *The Local Government Municipal Systems Amendment Act*, No. 44 of 2003.
- *Local Government Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers*, 2006. Regulation Gazette No. 29089.
- *Draft competency guidelines for Municipal Managers and Managers directly accountable to Municipal Managers*, 2006.

7.1 Issues related to the implementation of regulations

The performance regulations, as published in Government Gazette No 29089 on 1 August 2006, seek to set out how the performance of section 57 managers will be uniformly directed, monitored and improved.

In the implementation of the regulations, a number of issues may arise that may have an effect on whether an employment contract or a performance agreement has been validly entered into.

This section deals with who bears the responsibility to implement the performance management system, the *ipso facto* (automatic) applicability of national legislation on an employment contract, the effect of a non-existing performance agreement on an employment contract, the legality of a “retrospective” performance agreement, and the legal effect of missing the 90 day deadline.

7.1.1 Responsibilities for implementing system

The Municipal Manager, as head of the administration (see section 55 Municipal Systems Act or MSA) or as accounting officer (see section 60 Municipal Finance Management Act or MFMA) is responsible and accountable for the formation and development of an accountable administration operating in accordance with the municipality's performance management system. She or he is also responsible for the management of the administration in accordance with legislation.

The final responsibility for ensuring that employment contracts for all staff are in place rests with the municipal manager. The final responsibility for ensuring that performance agreements with the relevant managers, including his or her own, are in place, rests with the municipal manager.

7.1.2 Employment contract

The Systems Act (see section 57) provides that there must be a written employment contract between the municipality the municipal manager and managers directly accountable to municipal managers (hence the reference, to managers employed in terms of these contracts, as Section 57 Managers).

Applicable legislation

The regulations (see sub-regulation 4(1)) provide that the employment contract must be subject to the terms and conditions of the Systems Act, the MFMA, and other applicable legislation. In the event that the employment contract does not refer to the applicability of other legislation, that omission will not affect the legal validity of the employment contract. The employment contract will, in any event, be subordinate to any legislation even in the case where the parties themselves are unaware of such legislation.

Validity of employment contract

The regulations (see sub-regulation 4(4)(a)) further provide that employment in terms of an employment contract must be subject to the signing of a separate performance agreement within 90 calendar days after assumption of duty and annually within one month after the commencement of the financial year. The question arises whether the validity of the employment contract will be affected in the absence of a performance agreement as per the dictates of the regulation. It is important to bear in mind that both the employment contract and the performance agreement are entered into separately by the parties. In the event that the performance agreement has not been entered into after the expiration of the time limit, it amounts to a breach of the employment conditions and the party responsible for such breach must be put on terms. It is important to emphasise that the failure to enter into a performance agreement does not automatically render the employment contract invalid. The party responsible for this breach must be given an opportunity to remedy the breach. Failure by the party responsible for the breach to remedy the breach may result in the other party initiating a contract termination process if it so feels.

7.1.3 Performance agreement

The performance agreement (see sub regulation 8(2) read with sub-regulation 23) provides the basis upon which the municipality will reward good performance on the part of the employee. Performance Agreements form the basis upon which the performance of Section 57 staff are measured and monitored against targets. The performance agreement is put in place to comply with the provisions of Section 57

(1)(b), (4A),(4B) and (5) of the Municipal Systems Act as well as the employment contract entered into between the parties. This agreement must be entered into for each financial year and be reviewed annually in June.

According to the Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006), the performance agreements fulfil the following key purposes:

- specify objectives and targets defined and agreed with the employee and to communicate to the employee the employer's expectations of the employee's performance and accountabilities in alignment with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality;
- specify accountabilities as set out in a performance plan, which forms an annexure to the performance agreement;
- monitor and measure performance against set targeted outputs;
- use the performance agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job;
- and in the event of outstanding performance, to appropriately reward the employee;
- give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.

Retrospectivity

The question arises whether it would be possible to enter into a performance agreement retrospectively, even after the end of the financial year for that financial year. The language of the MSA (see section 57(2)) is peremptory in this regard. It provides that a "performance agreement **must** be concluded with a reasonable time after a person has been appointed." The regulation provides that the performance agreement must be signed within 90 calendar days after assumption of duty. The municipal council does not have the authority to change these prescripts. The absence of a performance agreement at the end of a financial year will negatively affect the ability of the municipality to hold the manager accountable for performance, as well as its ability to respond to his/her performance.

Legal validity after 90 days

A further issue which may arise is the legal validity of a performance agreement that is concluded after the period of 90 days has lapsed. In this regard, it is instructive to consider that the regulation provides that **employment** is subject to the compliance with sub-regulation 4(4)(a). It would appear that one would still be able to enter into a valid performance agreement after the 90 day period provided that there is consensus between the parties that the employment contract is still in force. Thus, where the performance agreement is entered into after the expiry of the 90 day limit, the agreement can still be entered into for part of that financial year (see sub-regulation 24(1)).

A performance agreement comprises a performance plan and a personal development plan.

7.1.4 Performance Plan

The performance plan establishes:

- a detailed set of objectives and targets to be met by the Municipal Manager and Section 56 and 57 employee as well as;
- the time frames within which these should be met.

The specifics of the performance plan will be determined by the Mayoral Committee, in consultation with the Municipal Manager, and will be based on the IDP, SDBIP and the Budget. Similarly the Municipal Manager and the Section 57 Managers should discuss and agree on performance plans. It shall include the following elements:

- Key Objectives
- Key Performance Indicators
- Targets
- Weightings

In addition, the employee will be measured in terms of their contribution to the goals and strategic planning as set out in the Municipality's IDP.

Section 57 staff will be assessed against **two components**, weighted as follows:

Key Performance Area (KPA) which is weighted at 80%

The employees assessment will in part be based on his/her performance in terms of outcomes/outputs (performance indicators) identified in the performance plan which are linked to the KPAs. This contributes to 80% of the overall assessment result. The weightings per KPA will be agreed upon between the Mayoral Committee and the employee. For Managers directly responsible to the Municipal Manager, the KPAs are those related to their key functional areas.

For the municipal manager this will be the organizational scorecard, not dealing with outcomes, representing the IDP. For managers reporting to the municipal manager, this component will be their directorate scorecards, without outcomes.

For all other staff that this system will be rolled out to, this component will need to be drawn up for them and align with their job description.

Core Competency Requirement (CCR) which is weighted at 20%

The CCRs which are deemed most critical to the employee's specific function will be selected from a list and agreed upon with the employer, with consideration for proficiency levels as agreed between the two parties. Weights will further be assigned to the CCRs selected.

This refers to a separate component dealing with competency and expected behavior.

Table 2: Core Competency Requirements from Regulations (2006)

<i>CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (CCR)</i>		
Core Managerial and Occupational Competencies	✓ (Indicate choice)	Weight
<i>Core Managerial Competencies</i>		
Strategic Capability and Leadership		
Programme and Project Management		

<i>CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (CCR)</i>		
Financial Management	compulsory	
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	compulsory	
Client Orientation and Customer Focus	compulsory	
Communication		
Honesty and Integrity	2	
<i>Core Occupational Competencies</i>		
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		
Competence in policy conceptualization, analysis and implementation		
Knowledge of more than one functional municipal field discipline		
Skills in Mediation		
Skills in Governance		
Competence as required by other national line sector departments		
Exceptional and dynamic creativity to improve the functioning of the municipality		
Total percentage	-	100%

7.1.5 Personal Development Plan

As part of the performance agreement, a personal development plan will be included. This section should state the activities, including training, that the employee wishes to undertake to improve themselves or is required to take to better fulfill the needs of the job.

7.2 Evaluating performance

The Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006), stipulates in detail how the evaluation process should be undertaken.

² While the regulations leave this requirement as optional, in Chris Hani District it will be regarded as compulsory.

7.2.1 Evaluators

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

- Executive Mayor;
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- Member of the Mayoral Committee
- Mayor and/or municipal manager from another municipality; and
- Member of a ward committee as nominated by the Executive Mayor in consultation with the Executive Mayor of a Local Municipality.

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

- Municipal Manager;
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- Member of the Mayoral Committee
- Municipal manager from another municipality.

7.2.2 Process and scoring

Performance will be reviewed on a quarterly basis within two weeks after completion of the evaluation of a unit (directorate or section) to which the employee belongs of managing. The employer will keep a record of the mid-year review and annual assessment meetings. The performance plan will include a Personal Development Plan, in order to address any weaknesses or skills gaps which may have been identified.

In summary, the annual performance appraisal will involve an assessment of results as outlined in the performance plan, discussed below:

KPA assessment

1. Each KPA will be assessed according to whether performance indicators have been met
2. An indicative rating on a 5-point scale will be provided for each KPA
3. The applicable assessment rating calculator will be used to add to the scores and calculate the final KPA score based on a weighted average score.

CCR assessment

1. Each CCR will be assessed according to performance indicators have been met
2. An indicative rating on a 5-point scale will be provided for each CCR
3. The rating is multiplied by the weighting given to each CCR, to provide a score
4. The applicable assessment rating calculator will be used to add to the scores and calculate the final CCR score, based on a weighted average score.

The scoring system suggested by the Regulations is captured in the table below. In addition, the last column provides proposed revisions to the descriptions of performance, offering a more user friendly set of definitions.

Table 3: Scoring suggested by the Regulations (2006)

Level	Terminology	Description	Proposed definitions or performance against indicators
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.	Individual has performed exceptionally on these indicators and has very significantly surpassed expectations.
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.	Individual has performed well and has gone slightly above expectations.
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.	Individual has met the expectations associated with these indicators.
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.	Performance is below the standard required for the job in key areas.
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.	Individual has performed poorly on these indicators – significantly below the standard required

The combined KPA and CCR assessment scores, weighted 80% and 20% respectively, will make up the overall assessment score. While the regulations do not specify, it is

assumed that the total percentage score is arrived at by dividing the combined weighted average score by 3 and reflecting as a percentage.

7.3 Responding to Good Employee Performance by Section 57 managers

7.3.1 Bonuses

A performance bonus, based on affordability may be paid to the employees, 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 the Regulation
3. approval of such evaluation by the municipal council as a reward for outstanding performance

In addition to the annual cost-of-living increase, the employee shall be eligible to be considered for a performance related increase (pay progression) on an annual basis.

Performance Bonus criteria

The regulations provide that a performance bonus between 5% and 14% of the inclusive annual remuneration package may be paid to the employee after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the Municipal Council, as a reward for excellent performance. In determining the bonus payment, the regulations specify that the relevant percentage depends on the overall rating, calculated by using the applicable assessment rating calculator:

1. A score of 130% - 149% is awarded a performance bonus ranging between 5%-9%.
2. A score of 150% and above is awarded a performance bonus ranging 10% - 14%.

The diagram below depicts the relationship between the performance score and the performance bonus as per the Regulations..

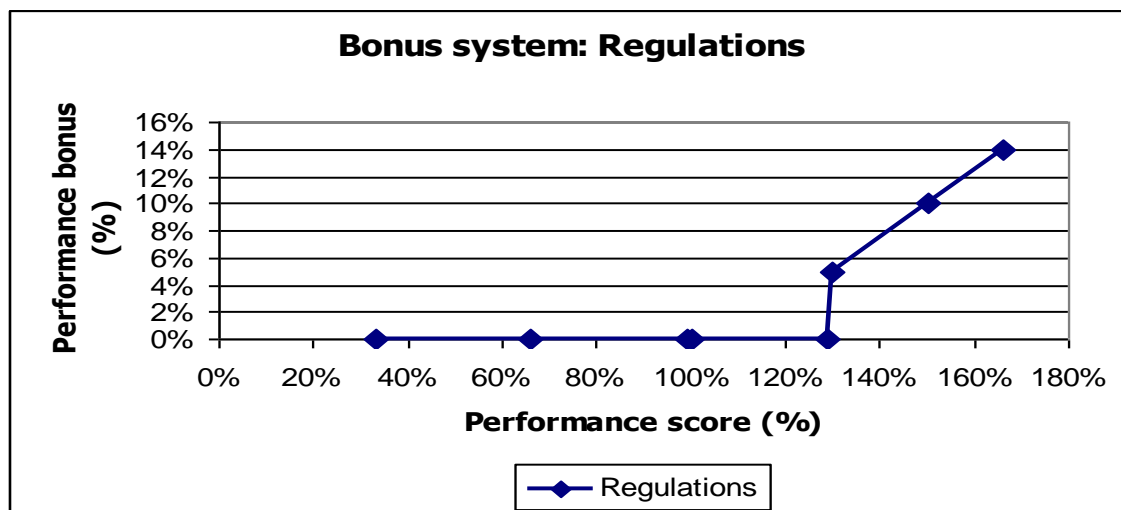


Figure 7 Bonus system as per the Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006

7.4 Comment on 'Acting' managers

There is no legislation governing the performance management of individuals serving in 'Acting' positions, either in the Section 56 posts or the Municipal Manager post. The Regulations of 2006 (governing the performance management of the Municipal Manager and managers directly accountable to the Municipal Manager) do not make reference to Acting managers. However in principle acting managers should take responsibility and accountability for the performance of the directorate which he/she is responsible for managing in their capacity as Acting Director or Acting Municipal Manager, respectively. It is expected therefore that the Acting Director or Acting Municipal Manager be subjected to the PMS performance processes (such as reviews etc) and that he/she take responsibility for achieving the targets which have been established.

8 Evaluation and Improvement of the Performance Management System

The Municipal Systems Act requires the municipality to annually evaluate its performance management system. Once the full cycle of the annual review is complete, the performance management team need to initiate an evaluation report annually, taking into account the input provided by directorates. This report will then be discussed by the Management Team and finally submitted to the Mayoral Committee for discussion and approval.

The evaluation should assess:

- The adherence of the performance management system to the Municipal Systems Act.
- The fulfilment of the objectives for a performance management system captured in this document.
- The adherence of the performance management system to the objectives and principles captured in this document.
- Opportunities for improvement and a proposed action plan.

It must once again be emphasised that there are no definitive solutions to managing municipal performance. The process of implementing a performance management system must be seen as a learning process, where there is a conscious buy-in to incremental improvement of the way the system works in order to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.

9 Implementation approach

This section provides an indication of how the PM System can be implemented in Chris Hani District Municipality. The diagram below illustrates the general phases which form part of the implementation of a Performance Management System (PMS).

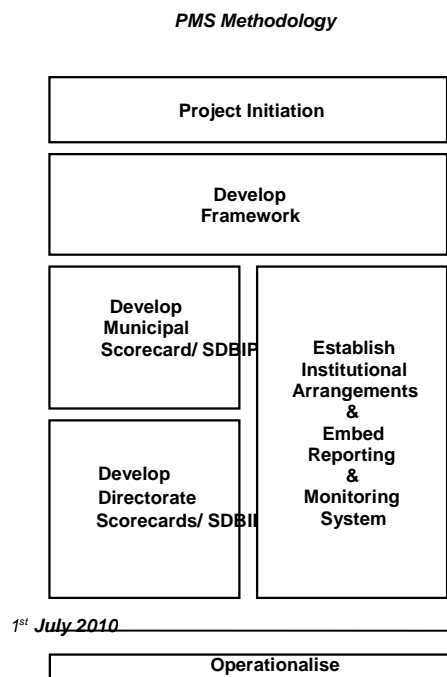


Figure 8 Process for development and implementation of PMS

9.1 Council approval of PM Framework

In the case of Chris Hani District, the project initiation and development of the framework is already underway, with a draft framework being developed. The next key stage is for approval and Council adoption of the framework. Once this has taken place, CHDM can begin to develop and workshop the institutional and directorate scorecards and concurrently establish the reporting and monitoring systems. The envisioned approach for these stages is described below.

9.2 Develop Municipal Scorecard

This activity needs to be aligned to the IDP process, and will involve the following:

9.2.1 Conduct training for IDP process

It is believed that those involved in the next IDP process should be trained on the performance management system with particular reference to indicators, baselines, targets etc. This will help them ensure that what comes out of the IDP process can feed into the PM system.

9.2.2 Scorecard workshop

As the IDP process culminates, the institutional scorecard workshop should be conducted to populate the municipal scorecard with priorities, objectives, indicators and targets from the IDP process. This should be a one-day workshop.

9.2.3 Finalisation

The scorecard should then be finalised and circulated for adoption by Council before the start of the financial year.

9.2.4 Develop and Finalise MM's Performance Agreement

As required by regulations the Municipal Manager's performance agreement and individual scorecard should be finalised simultaneously.

9.3 Develop Directorate Scorecards and Section 57 Performance Agreements

9.3.1 Directorate workshops

These workshops should be used to develop and agree on directorate scorecards for the following directorates:

- Strategic Services
- Development Planning and Economic Development
- Health and **Public Safety**
- Corporate Services
- Financial Services
- Engineering Services
- **Community Services**

A one-day workshop is advised for each directorate, to develop their scorecards in detail. Once it is finalised the scorecard can be for adopted and approved.

9.3.2 Section 57 Performance Scorecards

Performance Agreements for Section 57 managers should be developed simultaneously for adoption.

9.3.3 Load indicators onto Monitoring tool

Indicators and available data for all scorecards should be loaded onto a monitoring tool (to be decided upon).

9.4 Establish Institutional Arrangements and Capacity

If not already in place, the necessary institutional arrangements and capacity designed in the framework should be established. At least the following are anticipated:

9.4.1 A PMS Champion is identified

This person should ideally be identified from each Directorate.

9.4.2 Clarify roles and responsibilities

All relevant stakeholders should be clear on their role and responsibilities with respect to the institutional PMS. Training may be necessary to ensure that the institution is equipped to implement the system effectively.

9.4.3 Training on PMS for Internal Audit team

Once the PMS been finalised, those performing the Internal Audit function of CHDM should be briefed and trained on the PMS, so as to be able to perform their functions effectively.

9.4.4 Establish Audit Committee

The Audit committee's scope has been broadened in CHDM to accommodate for the auditing of financial and performance aspects. Training should be on-going.

9.4.5 Train system users

Training should be conducted for all systems users.

Appendix I: Extracts of relevant policies and legislation

9.4.6 The White Paper on Local Government (1998)

The White Paper on Local Government (1998)ⁱ nationally introduced performance management systems to local government, as a tool to ensure Developmental Local Government. It concludes that

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

The White Paper adds that

"Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query; others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced".

9.4.7 Batho Pele (1998)

Similarly, the White Paper on Transforming Public Service Delivery (Batho Pele) puts forward eight principles for good public service:

Consultation:

Citizens should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services that are provided.

Service standards:

Citizens should know what standard of service to expect.

Access:

All citizens should have equal access to the services to which they are entitled.

Courtesy:

Citizens should be treated with courtesy and consideration.

Information:

Citizens should be given full and accurate information about the public services they are entitled to receive.

Openness and transparency:

Citizens should know how departments are run, how resources are spent, and who is in charge of particular services.

Redress:

If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made citizens should receive a sympathetic, positive response.

Value-for-money:

Public services should be provided economically and efficiently in order to give citizens the best possible value-for-money.

"Importantly, the Batho Pele White Paper notes that the development of a service-oriented culture requires the active participation of the wider community. Municipalities need constant feedback from service-users if they are to improve their operations. Local partners can be mobilised to assist in building a service culture. For example, local businesses or non-governmental organisations may assist with funding a help line, providing information about specific services, identifying service gaps or conducting a customer survey" - The White Paper on Local Government (1998).

9.4.8 The Municipal Systems Act (2000)

The Municipal Systems Act, enacted in November 2000, requires all municipalities to:

- Develop a performance management system
- Set targets, monitor and review performance based on indicators linked to their IDP
- Publish an annual report on performance for the councillors, staff, the public and other spheres of government
- Incorporate and report on a set of general indicators prescribed nationally by the minister responsible for local government
- Conduct an internal audit on performance before tabling the report.
- Have their annual performance report audited by the Auditor-General
- Involve the community in setting indicators and targets and reviewing municipal performance

9.4.9 Municipal Planning and Performance Management Regulations (2001)

The Municipal Planning and Performance Management Regulations set out in detail requirements for municipal PM systems. However, the regulations do not sufficiently constitute a framework that fully proposes how the system will work. Each component of the proposed framework in this document is strongly informed by the regulations.

9.4.10 Municipal Finance Management Act (2003)

Chapter 12: Financial Reporting and Auditing

Preparation and adoption of annual reports

121. (1) Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

2. The purpose of an annual report is –
 - (a) to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
 - (b) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
 - (c) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.
3. the annual report of a municipality must include –
 - (a) the annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
 - (b) the Auditor-General's audit report in terms of section 126(3) on those financial statements;
 - (c) the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;
 - (d) the Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act;
 - (e) an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;
 - (f) an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 12(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;
 - (g) particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
 - (h) any explanations that may be necessary to clarify issues in connection with the financial statements;
 - (i) any information as determined by the municipality;
 - (j) any recommendations of the municipality's audit committee; and
 - (k) any other information as may be prescribed.
4. The annual report of a municipal entity must include-
 - (a) the annual financial statements of the entity, as submitted to the Auditor-General for audit in terms of section 126(2);
 - (b) the Auditor-General's audit report in terms of section 126(3) on those financial statements;

- (c) an assessment by the entity's accounting officer of any arrears on municipal taxes and service charges;
 - (d) an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality;
 - (e) particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);
 - (f) any information as determined by the entity or its parent municipality;
 - (g) any recommendations of the audit committee of the entity or of its parent municipality; and
 - (h) any other information as may be prescribed.
-