



LEPELLE-NKUMPI

LOCAL MUNICIPALITY

INSTITUTIONAL AND INDIVIDUAL PERFORMANCE MANAGEMENT POLICY

1JULY 2018 – 30 JUNE 2019

Signature by Municipal Manager:

1. Purpose

The objective of this policy is:

- To provide a standard and a practical guide in the implementation of performance management at Lepelle-Nkumpi Local Municipality (LNM) and ensure fairness and transparency.

2. Performance Management Cycle

The performance management cycle for the municipality shall commence on 01 July of the calendar year and shall end on 30 June of the following calendar year. The cycle of the municipality is composed of the following phases:

Performance Planning: This is about jointly identifying organizational, department, departmental as well as individual performance expectations and gaining employees' commitment to fulfill these expectations.

Performance Monitoring: This happens throughout the performance management cycle and involves the execution of scorecards, monitoring of performance against the scorecards and the provision of coaching. This is aimed at documenting progress against planned performance and it allows for continuous tracking of performance, and performance improvement through feedback as well as reinforcement of key results and development of competencies where applicable.

Performance Reviews: Performance reviews take place through formal sessions at periodic intervals during the performance cycle. These are aimed at assessing the level of performance against scorecards.

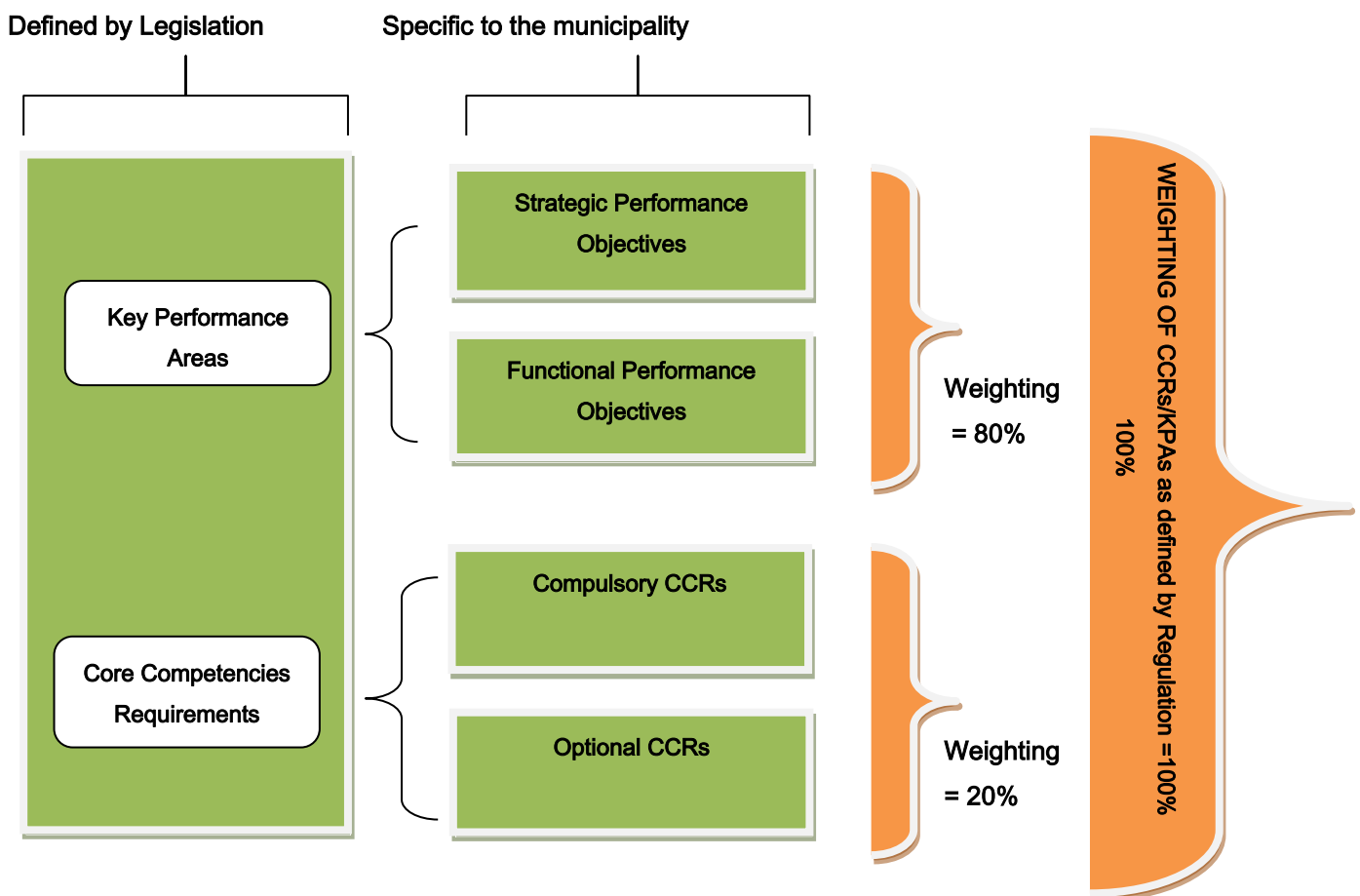
Performance Auditing and Reporting: This phase involves the auditing of the performance management system and the reporting the performance outcomes of the municipality. **Figure 1: Performance Management Cycle**



Phase 1: Performance Planning

- All employees shall be required to enter into performance agreements and plans within 30 days of the inception of the financial year i.e. July of each year. These performance agreements shall contain individual performance scorecards as well as a personal development plans (PDP).
- However, the individual performance scorecards of the section 56 employees shall be made up of Key Performance Areas (KPAs) and Core Competency Requirements (CCRs) which shall have a relative weighting of 80% to 20% respectively.
- All the CCRs will be agreed upon prior signing the performance agreements. This includes defining the required performance and provision of Portfolio of Evidence for each CCR.

The following figure guides the development of scorecards: **Figure 2: Structure of Scorecards**



The KPAs must be categorized into [1] Strategic Performance Objectives (SPOs) and [2] Functional Performance Objectives (FPOs):

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- *Strategic Performance Objectives* (SPOs) are those KPAs which are derived from IDP and are sector based objectives and strategies. Of the total 80% KPA weighting, the relative weighting for SPOs should not be less than 50%. The SPOs are developed to reflect the municipality's strategic priorities within the individual employee scorecard.
- *Functional Performance Objectives* (FPOs) relate to the employee's functional areas, objectives and responsibilities. These include good governance objectives. Of the total 80% KPA weighting, the relative weighting for FPOs should not exceed 30%.
- The scorecard shall include Core Competency Requirements (CCRs). The Regulations propose a range of CCRs, which are categorized into managerial and occupational competencies. 3 of the managerial competencies, [1] financial management, [2] people management & empowerment and [3] client orientation & customer focus, are compulsory, and the occupational competencies are optional 2 of the occupational competencies must be selected from a range of competence such as self-management, interpretation of and implementation within the legislative and national policy frameworks, Knowledge of local government, Knowledge of Performance Management and Reporting and Knowledge of global and South African specific political, social and economic contexts.
- The Municipal Manager shall enter and conclude his/her performance agreement with the Executive Mayor.
- All other section 56 employees shall conclude and sign their performance agreements with the Municipal Manager after consideration and inputs from the relevant Member of the Mayoral Committee.
- All Section 56 employees' performance agreements shall be noted by the Performance Audit Committee before being approved by Council.
- All non-section 56 employees shall conclude and sign their performance plans with their immediate managers.
- Parties entering into a performance plan should ensure that key performance indicators are measurable and in line with Service Delivery Budget Implementation Plans (SDBIP) of the Department.
- The individual performance plan shall be signed by 31 July each year. Departments will be responsible for the completion and submission of individual performance plans. Employees will submit their plans to the office manager relevant in turn who will submit the plans to the Performance Management Office;

- The Performance Management Office shall check compliance and ensure safe keeping of documents. The office will also establish a database of employees who submitted and not submitted, and advise accordingly.

Phase 2: Performance Monitoring and Coaching

Performance monitoring and coaching must take place all year round.

Monitoring Performance against the Integrated Development Plan (IDP):

The following provisions shall be applicable to Section 56 employees in monitoring performance against the IDP:

(a) All Section 56 employees shall be required to provide input into the process for monitoring performance against the IDP.

(b) The Municipal Manager shall submit progress reports with regards to the implementation of the IDP to the relevant structures within stipulated time frames.

Monitoring Performance against the Technical SDBIP:

The following provisions shall be applicable to Section 56 employees in monitoring performance against the municipality's scorecard:

(a) All Section 56 employees shall be required to provide input into the process for monitoring performance against the SDBIP; and

(b) All section 56 employees shall be responsible for preparation and the submission of the progress report against the department scorecard.

Monitoring Performance against the Departmental Business Plans:

The following provisions shall be applicable to non-Section 56 employees in monitoring performance against Departmental Business Plans:

(a) The relevant managers shall be required to collect information on implementation of the relevant Departmental Business Plan; and the submission of the progress report against the departmental scorecard.

Monitoring of Performance Individual Scorecard:

The following arrangements shall be applicable in monitoring and reviewing performance against the individual scorecards:

(a) Individual performance monitoring must take place all year round;

(b) The Municipal Manager shall be responsible for monitoring the performance of all managers that are directly accountable to her/ him;

(c) All section 56 employees shall monitor the performance of their subordinates;

(d) All employees shall be collectively responsible for collecting information on implementation of the scorecard and consolidation of this into progress and annual performance report; and

(e) All employees shall be required to collect evidence to support the achievement of performance objectives and in line with the contents of their scorecard.

The following arrangements shall be applicable to coaching:

(a) Coaching shall take place at an individual level with due consideration for group dynamics;

(b) Accordingly:

i. The Executive Mayor shall be responsible for conducting one on one (coaching) meetings with the Municipal Manager; and

ii. The Municipal Manager shall be responsible for coaching all the managers who are directly accountable to her/him;

iii. Section 56 employees as well do so at their respective departments;

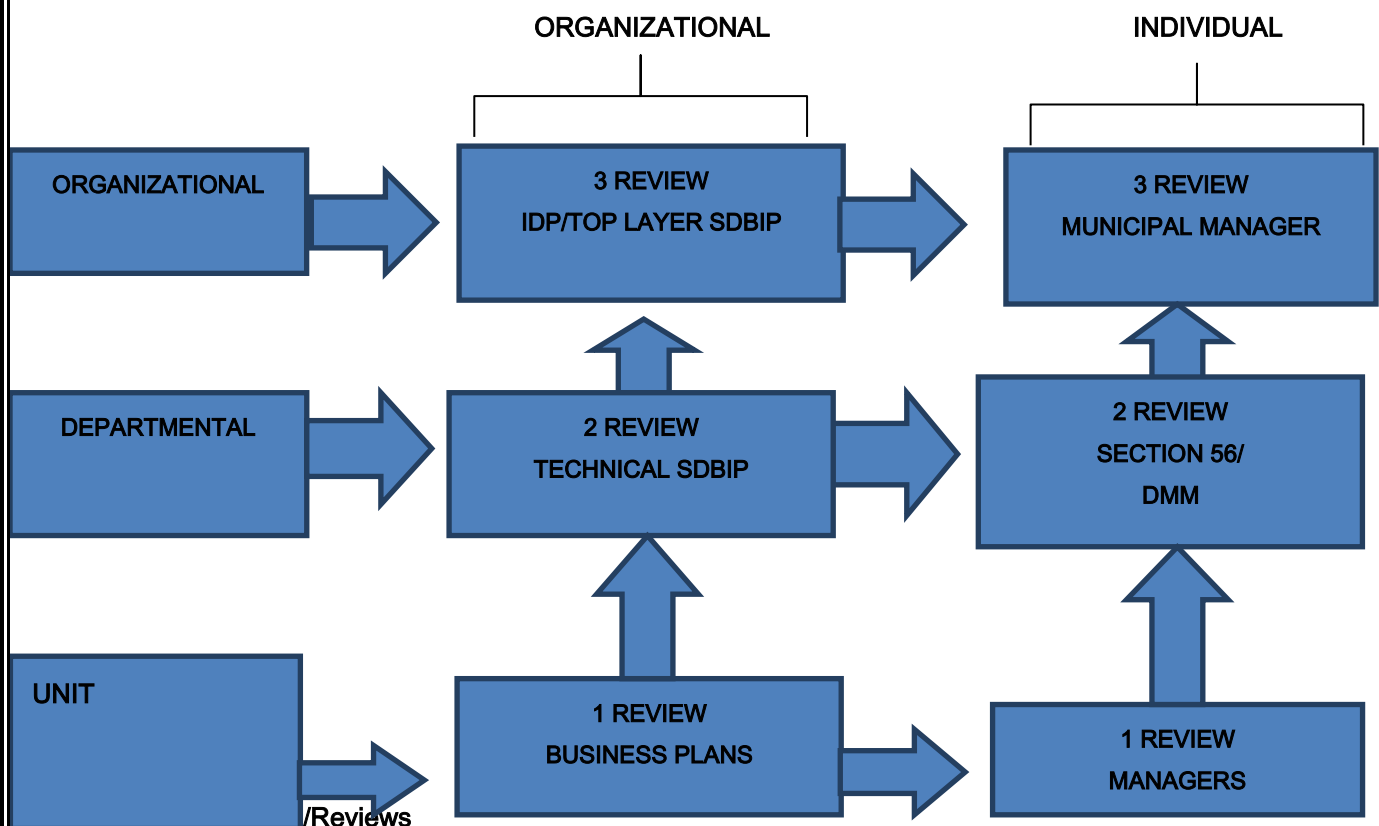
(d) All discussions held within the coaching session should be recorded and documented and should be managed in line with the municipality's confidentiality requirements.

Phase 3: Performance Evaluation/Reviews

Levels of Reviews

The evaluation of performance shall be conducted in two ways, namely at organizational and individual levels:

Figure below guides the process of review in the municipality:



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- Quarterly reviews will often be a more effective way of dealing with unsatisfactory performance than the enactment of formal processes. These reviews allow time for the provision of additional training, coaching and advice to aid improvement in performance.
- Where improvement is required, the manager must ensure that the employee understands and is committed to reaching the required standard, how performance will be reviewed, and over what period. The content, agreed action and the outcome of the meeting must be recorded in writing to the employee concerned.
- However, the employee should also be made aware that formal processes will be used if performance does not improve to the required standard or if any improvement is not maintained.
- Within 30 days after the end of each quarter, departments are required to conduct an assessment which reflects on the performance of a department with an aim of ensuring alignment between actual performance and assessment/appraisal of employees. At the same time submit the quarterly reports to Performance Management Office.
- The schedule for performance review is summarized as follows:

1 ST Quarter	July – September (report to be submitted in October)
2 ND Quarter	October – December (report to be submitted in January)
3 RD Quarter	January –March (report to be submitted in April)
4 TH Quarter	April – June (report to be submitted in July)

Mid-Term and Annual Assessments Reviews

- Twice in a year the manager relevant of each department shall conduct a mid-term and annual department performance review within 60 days after the end of each term. The Managers and Assistant Managers affected by these performance review sessions at their respective levels.
- The schedule for performance review is scheduled as follows:

1 ST Semester (Mid-Term)	July – December (February)
2 ND Semester (Annual)	January - June (August)
- The employee will be invited to attend a formal performance management meeting and this will be confirmed in writing. The notification will contain sufficient information about the performance issue and will confirm the employee's right to be accompanied to the formal meeting.

- A minimum of 5 working days written notice will be given to attend a formal performance management meeting. If the employee's representative is unable to attend the meeting, it will normally be rearranged within 5 days of the original date of the meeting.

Evaluation of Outcomes at Department and Individual Levels

- Internal Audit and Performance Management representatives shall seat in all performance assessment to provide all administrative support.
- The manager shall initiate the assessment process as per the performance management procedure manual;
- All employees must complete their self-assessments prior to undergoing formal assessments by their supervisors;
- All formal performance assessments and reviews shall be based on the respective employee's performance agreement/ performance plan.
- All employees shall undergo a minimum of 2 formal assessments (1 midyear review and one annual performance review) in line with the performance cycle.
- All performance assessments shall be conducted in line with the prescribed tools and templates of the municipality.
- In the event the employee changes the job (within the municipality, or where the employee leaves the municipality) during the performance cycle, performance reviews related to the employee vacating the post must be completed prior to the employee's movement to the new position or new institution.
- If the employee changing jobs is a manager, performance reviews for each employee under her/his control should be completed prior to her/his movement.
- It is the responsibility of the employee to timeously alert the manager of any emerging factors that could preclude the achievement of any performance undertakings, including the contingency measures that are proposed to ensure the impact of such deviation from the original agreement is minimized.
- It is also the responsibility of the employee to collect and submit evidence to support performance achievements.
- During the appraisal meeting the manager and the employee discuss and reach agreement on the employee's performance rating for each of the outputs.
- The rating of performance shall be done in line with the prescribed rating scale.
- It is the responsibility of the manager to inform the employee in writing of the outcome of the assessment and if the employee's performance is unsatisfactory, of the reasons for that assessment.
- All the annual performance assessment reports shall be moderated by the moderation committee of the municipality if required.
- The completed assessment shall be signed by the subordinate, manager relevant;
- The appraisal of the employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

The role of Performance Management Unit in the analysis of outcomes

Performance Management Office's role in the analysis of outcome is summarized as follows:

- Compare and verify portfolio of evidence submitted against the unit of measurement and KPI's targets.
- Capture evidence on the system as report as submitted by departments.
- Provide comments on the work performance of the departments.

Phase 4: Performance Auditing and Reporting

Quality Assurances

All assessment shall be subjected to quality assurance provided by the Performance Audit Committee, Internal Audit Department and Moderation Committee. Quality assurance shall be aligned to the performance management procedure manual's time lines.

In moderating the outcomes, the moderation committee shall consider the following:

- (a) The extent to which the individual results are a true reflection of the individual's performance and are in line with performance requirements as expressed in the individual's performance plan;
- (b) The extent to which the individual results are aligned to the performance of the municipality as expressed through the performance reports against Departmental Business Plans, scorecards and the SDBIP; and
- (c) The extent to which the process that was followed was in line with this policy.

Internal Audit Department

Upon the receipt of portfolio of evidence and a quarterly performance report, the Internal Audit shall quality assure assessments conducted and recommend to the department. This includes the mid-term and annual reports. The assurance conducted by the Internal Audit department will be limited to departments performance report not individual.

Performance Audit Committee

All assessments shall be subjected to quality assurance body also known as the Performance Audit Committee. The PaC shall assess performance in line with the performance management framework, policy and policy and any other duty as prescribed by the Municipal Finance Act, 2003. The Internal Audit performance report will be subjected to scrutiny by the PaC, this include the mid-term and annual assurances

Moderation Committee

The moderation committee as a committee of the Municipal Manager shall be responsible for the overall strategic working of the performance management and development system in the municipality. Operating as a moderating body for non- section 56, the committee must ensure that consistency and integrity is maintained in the review

processes of individuals and departments/departments. The committee will do this by presiding on matters relating to appeals lodged by employees where no agreement is reached between a manager and an employee on final performance scoring and recommend appropriate action to resolve the matter. This way the committee will ensure that a level of fairness is achieved. Moderation of results will be conducted for mid-term and annual assessment results. The decision of the moderating committee is final.

Phase 5: Performance Reporting

The following figure shall be followed when reporting performance in the municipality:



3. Roles and Responsibilities

3.1 Managers

Managers are responsible for ensuring that their teams/departments achieve and maintain agreed standards of work performance and should:

- lead by example through their individual performance and behavior, providing staff with clear guidance and direction;
- provide support, coaching and continuous improvement both at team and individual level;
- use the performance management processes to agree to the objectives of performance, development of standards and giving constructive feedback upon performance;
- ensure that required performance standards are realistic, achievable, communicated, understood and in line with the employee's job description document; and
- aim to resolve issues promptly and effectively, considering the use of mediation where relevant and appropriate and adhere to this performance management procedure.

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3.2 Employees

- The municipality is entitled to fully effective work performance from all its employees, employees are expected to work effectively to the agreed standards required by the municipality;
- Employees are required to adhere to the municipality's rules, policies and procedures and understand the impact of their behavior on others; and
- Employees must engage with and participate in the performance management process and seek clarification about expectations, behaviors and rules from their managers if they are unsure about them; co-operate if asked to be involved.

3.3 Organized Labour

The municipality shall manage performance in a consultative, supportive and non-discriminatory manner in order to enhance organizational efficiency, effectiveness, and accountability for the use of resources and achievement of results. To this end, the participation of the organized labour is critical to the success of performance management.

The role of the organized labour is to:

- give input into the performance management framework;
- observe and monitor the implementation of the framework;
- educate and sensitize their members to support the framework;
- represent their employees in the event of grievances arising from the implementation of the performance management; and be represented in the moderation committee

3.4 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.

3.4.1 Evaluators

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

- Mayor ;
- Chairperson of the performance audit committee;
- Any Member of the Executive Committee;
- Mayor and/or municipal manager from another municipality.
- Ward committee member

INSTITUTIONAL AND INDIVIDUAL PERFORMANCE MANAGEMENT POLICY

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;
- Member of the performance audit committee, preferably its chairperson;
- Any member of the Council
- Municipal manager from another municipality.
- Ward committee member

4. Recognition and Rewards

Performance rewards shall be given to employees in line with the approved reward framework for the municipality. In order to qualify for any performance reward, an employee must have an average rating of above 3 with a score of 130 and above, in line with the Municipality's prescribed rating scale. This means that the employee's performance must be significantly higher than the standard expected in the job or the performance must be outstanding or exceed expectation.

A performance bonus of 5 % to 14 % of an annual remuneration package may be paid to an employee in recognition of outstanding performance. The following rating scale will be used to determine the payment of performance bonuses which will be a percentage of the annual remuneration package of the employee.

Below is a table for illustration:

Rating	Total score	Performance category	Description	Performance incentives
1	69% and lower	Unacceptable performance	Performance does not meet the standard expected for the job	No cash bonus/certificate of recognition
2	70-99%	Performance not fully effective	Performance meets some of the standard expected for the job	No cash bonus/certificate of recognition
3	100%	Performance fully effective	Performance fully meet all areas of the job	Certificate of recognition
	101-114%	Performance	Performance fully meet all	Cash bonus

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INSTITUTIONAL AND INDIVIDUAL PERFORMANCE MANAGEMENT POLICY

		fully effective (slightly above expectations)	areas of the job	
4	115-129%	Performance significantly above expectations	Performance is significantly higher than standard expected in the job	Cash bonus
	130-149%	Performance significantly above expectations	Performance is significantly higher than standard expected in the job	Cash bonus
5	150-167%	Outstanding performance	Performance far exceeds the standard expected of a jobholder at this level	Cash bonus

Salary level	Performance category	Total score for KPAs and CMC	Award Category	Performance incentives
4-12	Performance significantly above expectation	101-114%	D	1-4%
		115-129%	C	5-8%
		130-149%	B	9-12%
	Outstanding performance	150-167%	A	13-18%
0-3	Performance significantly above expectations	101-114%	D	1-3%
		115-129%	C	4-6%
		130-149%	B	7-9%
	Outstanding performance	150-167%	A	10-14%

Furthermore, employees who are on prolonged leave (60 days) or are on precautionary suspension may not qualify for a bonus, unless a motivation is provided for awarding such an employee. Employees who have been suspended due to disciplinary reasons may not qualify for any performance reward.

New employees who join the municipality in the middle of the financial year will be allowed the same opportunity as other employees when determining eligibility for performance bonuses and if they have been employed for a period longer than six months. However they should be paid on a pro rata basis from date of employment.

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The Council shall make the final decision with regard to rewards on the recommendations of the Municipal Manager and in due of consideration of budgetary implications.

5. Performance Evaluation Committees

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

- ❖ Mayor;
- ❖ Executive Mayor/Mayor from another Municipality;
- ❖ Member of the Mayoral Committee
- ❖ Chairperson of the Performance Audit Committee; and
- ❖ Member of the Community

- (i) For purposes of evaluating the annual performance of section 56 - managers directly accountable to the Municipal Manager, an evaluation panel constituted of the following persons must be established. *(Only applicable to the managers directly accountable to Municipal Manager)*

- ❖ Municipal Manager;
- ❖ Municipal manager from another municipality;
- ❖ Chairperson of the Performance Audit Committee;
- ❖ Member of the Mayoral Committee: (seat in all the assessments of Directors); and
- ❖ Member of the Mayoral Committee relevant.

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

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

- (ii) For purposes of evaluating the annual performance of non-section 56 -managers and other professional employees, an evaluation panel constituted of the following persons must be established. **(Managers, Assistant Managers and other fixed term contracts).**

- ❖ Supervisor /Line Manager;
- ❖ HR/PMS specialist (if required)

6. Addressing Poor Performance

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In the event of an employee failing to meet his/her performance objectives, the following guidelines should be followed:

6.1 *Performance Counseling Sessions*

- The employee's direct Manager is responsible for conducting any formal counseling sessions on poor performance. The counseling session is an opportunity to formally plan and agree on corrective action.
 - Identify why the employee is failing to meet the required performance standards/objectives
 - Agree on a personal development plan to assist the employee in achieving the required standards/objectives and give the employee a fair opportunity to improve his/her performance. This personal development plan must form part of the performance agreement
 - Make the employee aware of the potential consequences of not complying with performance requirements
 - Ensure that these meetings are documented so that procedural fairness can be proved in the event of any future disciplinary being taken

6.2 *Performance and Incapacity:*

Firstly the manager should ensure that the employee is fully aware of their job description and their job requirements. KPAs, KPIs and CCRs as defined in their performance plans and performance agreements should be agreed upon by both parties.

- Adequate instructions, coaching and training should be provided to ensure that the employee is able to meet objectives and targets.
- The employee must be given reasonable time to achieve the required objectives and targets.
- The employee should be given regular feedback on their performance.
- The above steps should be conducted in conjunction with the Personal Development Plan.

6.3 *Formal Disciplinary Process - Corrective action*

- Should the employee after a reasonable period of time for improvement, continue to perform unsatisfactorily, notwithstanding appropriate evaluation, instruction, guidance and/or counseling, formal disciplinary steps may be implemented.
- A formal disciplinary hearing should be held and corrective action through a series of disciplinary measures should be considered, e.g. written warning, written final warning, and finally dismissal as a last option.

7. Dispute Resolution

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Appeals will be heard without unreasonable delay. Employees have a right to be accompanied at the appeal meetings. For non-section 56 employees, appeals are directed to the moderation committee established by the Municipal Manager. The appeal will be chaired by chairperson of the moderating committee. The outcome of the appeal may be to uphold or reject the appeal; modify or remove the warning where justified. Employees will be informed in writing of the outcome of the appeal meeting within 10 working days after the date of the meeting. The decision of the committee is final.

In the case of the Municipal Manager such an appeal shall be made in the first instance to the Mayoral Committee; hereafter the dispute resolution mechanism contained in the performance agreement is followed.

For all managers reporting to the Municipal Manager, the appeal is directed to the Executive Mayor hereafter the dispute resolution mechanism contained in the performance agreement is followed.

All employees have a right of appeal against any formal warnings issued under the performance management procedure. An appeal must be made in writing within 10 working days from the date of the warning letter.

Grounds for appeal are where the employee believes:

- The warning to be unfair or unreasonably severe; or
- Substantial new and relevant information related to the case is available; or
- There is evidence indicating the procedure was not properly applied.

8. Special Conditions

8.1 Newly Appointed Employees

All newly appointed Section 56 employees shall be required to enter into performance agreements within 30 days of the date of assumption of duty. This means all newly appointed employees may qualify for a pro-rated performance reward.

8.2 Transferred Employees

All employees who have changed jobs within the municipality during the performance cycle shall be required to sign a new performance agreement in line with the performance planning provisions contained in this policy.

Furthermore these employees shall undergo formal performance reviews related to the post they are vacating prior to the employee's movement to the new position.

If the employee changing jobs is a supervisor or manager, performance reviews for each employee under her/his control should be completed prior to her/his movement.

Accordingly the performance outcomes shall be determined on the basis of a consolidated performance rating based on performance against all the agreements entered into.

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8.3 Employees on Prolonged Leave

For employees who were on prolonged leave (three months or longer):

- (a) An amended performance agreement/plan should be signed unless the prolonged absence was catered for during the performance planning phase;
- (b) All performance reviews should take place accordingly; and
- (c) The relevant employees may only qualify for a performance incentive/reward if their period of absence does not exceed 3 months unless their absence was catered for in which case the relevant provisions with regards to performance rewards shall be applicable

8.4 Employees in Acting Positions

For employees who are acting in a higher position for more than 3 months:

- (a) An amended performance agreement/plan should be signed.
- (b) All performance reviews should take place accordingly; and
- (c) Performance incentives shall be calculated to the post to which the employee is appointed.

8.5 Resignations

- All employees who have resigned during the performance cycle shall be required to undergo formal performance reviews as part of the exit management process.
- If the employee resigning is a supervisor or manager, performance reviews for each employee under her/his control should be completed as part of the exit management process.
- Accordingly employees who have resigned may only qualify for performance rewards if they have successfully completed a period of 12 months of the applicable performance cycle and if all other requirements for in terms of this policy have been met.

9. Record Keeping and Filing

Assessments shall be recorded by the Performance Management Unit to enable the Municipality to draw reports. Upon completion the assessment records will be forwarded to Corporate Services for filing.

10 Guidelines for Developing Service Delivery Budget Implementation Plans

During the IDP process a corporate vision and mission were formulated for the Municipality, together with broad key performance areas (KPA's); and key performance indicators (KPIs). This process of developing scorecards will

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be followed every year after the adoption of the IDP and budget. The steps below illustrate the components of the SDBIP:

STEP 1: Outline the National Outcome and National Key Performance Areas (KPA's)

Outlining Key Performance Areas is the first step in the performance management process. According to the 5-year Local Government Strategic Agenda, all municipalities are required to department their priority issues around the following:

- Basic Service Delivery
- Financial Viability and Sustainability
- Municipal Transformation and Institutional Development
- Good Governance and Public Participation
- Local Economic Development

The municipality should cluster the priorities according to the Cabinet Lekgotla resolutions 20-22 January 2010 where it adopted the Twelve Presidential outcomes in order to accelerate service delivery. The President signed performance agreements with all 34 Cabinet Ministers based on these twelve outcomes with outputs. Of these outcomes, municipalities are mostly affected by:

- **Outcome 9:** A responsive, Accountable, Effective and Efficient Local Government System and;
- **Outcome 8:** Sustainable Human Settlements. All departments, agencies and spheres of government involved in the direct delivery process required to achieve an output, should be party to the agreement.

Presidential Outcome 9: Responsive, Accountable, Effective and Efficient Local Government System

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

Output 2: Improving Access to Basic Services.

Output 3: Implementation of the Community Work Programme

Output 4: Actions supportive of the human settlement outcomes

Output 5: Deepen democracy through a refined Ward Committee model

Output 6: Administrative and financial capability

Output 7: Single Window of Coordination

The municipality within its IDP has defined 7 strategic objectives within each broad KPA. For example under the Basic Service Delivery KPA, there will be several Strategic Objectives.

Example: Basic Service Delivery –Renewing our communities and reviving as a sustainable environment.

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STEP 2: Develop suitable Key Performance Indicators (KPIs).

Once KPAs and strategic objectives are defined, it is necessary to determine the KPIs, which define what needs to be measured in order to gauge progress towards achieving the strategic objectives discussed in the previous step. KPIs must be measurable, relevant, simple and precise. For an example KPIs are used to communicate the achievements and results of the municipality, determine whether the municipality is delivering on its developmental mandate and promote accountability by the Council.

STEP 3: Indicate the types of Key Performance Indicators

Once the Municipality has identified KPAs and clear objectives in terms of its IDP process, it can move to set indicators. Indicators are derived from objective statements. KPIs define how performance will be measured. It ought to assist in motivating and orientating staff towards achieving the set objectives. KPIs define how performance will be measured along a scale or dimension. KPIs are management tools, which assist in making performance based decisions regarding strategies and activities.

In terms of guidelines of National Treasury, 2007 a good performance indicator should be:

Reliable: the indicator should be accurate enough for its intended use and respond to changes in the level of performance.

Well-defined: the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.

Verifiable: it must be possible to validate the processes and systems that produce the indicator.

Cost-effective: the usefulness of the indicator must justify the cost of collecting the data.

Appropriate: the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.

Relevant: the indicator must relate logically and directly to an aspect of the institution's mandate, and the realization of strategic goals and objectives.

Again, performance information needs to be structured to demonstrate clearly how the municipality uses available resources to deliver on its mandate.

Inputs, activities, outputs, outcomes and impacts

When describing what government institutions do for purposes of measuring performance the following terms are used:

- **Inputs:** all the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
- **Activities:** the processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe "what we do".

- **Outputs:** the final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver".
- **Outcomes:** the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
- **Impacts:** the results of achieving specific outcomes, such as reducing poverty and creating jobs.

Typical direct indicators include, cost or price, distribution, quantity, quality, dates and time frames, adequacy and accessibility.

- **Cost or Price indicators** are both important in determining the economy and efficiency of service delivery.
- **Distribution indicators** relate to the distribution of capacity to deliver services and are critical to assessing equity across geographical areas, urban-rural divides or demographic categories. Such information could be presented using geographic information systems.
- **Quantity indicators** relate to the number of inputs, activities or outputs. Quantity indicators should generally be time-bound; e.g. the number of inputs available at a specific point in time, or the number of outputs produced over a specific time period.
- **Quality indicators** reflect the quality of that which is being measured against predetermined standards. Such standards should reflect the needs and expectations of affected parties while balancing economy and effectiveness. Standards could include legislated standards and industry codes.
- **Dates and time frame indicators** reflect timeliness of service delivery. They include service frequency measures, waiting times, response time, turnaround times, time frames for service delivery and timeliness of service delivery.
- **Adequacy indicators** reflect the quantity of input or output relative to the need or demand - "Is enough being done to address the problem?"
- **Accessibility indicators** reflect the extent to which the intended beneficiaries are able to access services or outputs. Such indicators could include distances to service points, travelling time, waiting time, affordability, language, accommodation of the physically challenged.

Departments are also encouraged to pay particular attention to developing indicators that measure economy, efficiency, effectiveness and equity using data collected through these and other direct indicators.

Economy indicators: explore whether specific inputs are acquired at the lowest cost and at the right time; and whether the method of producing the requisite outputs is economical. Economy indicators only have meaning in a relative sense. To evaluate whether an institution is acting economically, its economy indicators need to be compared to similar measures in other state institutions or in the private sector, either in South Africa or abroad. Such indicators can also be compared over time, but then prices must be adjusted for inflation.

Efficiency indicators: explore how productively inputs are translated into outputs. An efficient operation maximizes the level of output for a given set of inputs, or it minimizes the inputs required to produce a given level of output.

Efficiency indicators are usually measured by an input: output ratio or an output: input ratio. These indicators also only have meaning in a relative sense. To evaluate whether an institution is efficient, its efficiency indicators need to be compared to similar indicators elsewhere or across time. An institution's efficiency can also be measured relative to predetermined efficiency targets.

Effectiveness indicators: explore the extent to which the outputs of an institution achieve the desired outcomes. An effectiveness indicator assumes a model of how inputs and outputs relate to the achievement of an institution's strategic objectives and goals. Such a model also needs to account for other factors that may affect the achievement of the outcome. Changes in effectiveness indicators are only likely to take place over a period of years, so it is only necessary to evaluate the effectiveness of an institution every three to five years; or an institution may decide to evaluate the effectiveness of its different programmes on a rolling 3-5 year schedule.

Equity indicators: explore whether services are being provided impartially, fairly and equitably. Equity indicators reflect the extent to which an institution has achieved and been able to maintain an equitable supply of comparable outputs across demographic groups, regions, urban and rural areas, and so on. Often specific benefit-incidence studies will be needed to gather information on equity. The aim of such studies would be to answer the question: "Who benefits from the outputs being delivered?" Usually equity is measured against benchmark standards or on a comparative basis.

The following general key performance indicators are prescribed in terms of section 43 of the Municipal Systems Act, 2000: These indicators must appear on the Organizational Scorecard in addition to all the KPI's which have been set by the Municipality.

General Key Performance Indicators

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- The percentage of households earning less than R 2 360 per month with access to free basic services;
- 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;
- The number of jobs created through municipality's local economic development initiatives including capital projects;
- 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;
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
- Financial viability as expressed by the following ratios:

- Dept Coverage

$A = \frac{B}{CB} - \text{Total operating revenue received}$

Signature by Municipal Manager:

D

C – Operating Grants

D – Dept service payments

(i.e. interest + redemption) due within the financial year

- Outstanding service debtors to revenue

$A = \frac{B}{C}$

B – Total outstanding service debtors

C

C – Annual revenue actually received for services

- Cost coverage

$A = \frac{B+C}{D}$

B – All available cash at a particular time

D

C – Investments

D – Monthly fixed operating expenditure

STEP 4: Provide baseline information for each KPI

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

STEP 5: Set targets for each KPI

Once a set of suitable indicators has been defined for a programme or project, the next step is to specify what level of performance the institution and its employees will strive to achieve. This involves specifying suitable performance targets relative to current baselines. Performance targets express a specific level of performance that the institution, programme or individual is aiming to achieve within a given time period.

Performance standards and performance targets should be specified prior to the beginning of a performance cycle, which may be a strategic planning period or a financial year. This is so that individual employees know what they are responsible for, and can be held accountable at the end of the cycle. While standards are generally "timeless", targets need to be set in relation to a specific period. The targets for outcomes will tend to span multi-year periods, while the targets for inputs, activities and outputs should cover either quarterly or annual periods.

A useful set of criteria for selecting performance targets is the "SMART" criteria:

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

STEP 6: Indicate quarterly targets to be met arising out of set targets.

Signature by Municipal Manager:

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

STEP 7: Allocate roles and responsibilities for ensuring information integrity, procedure and quality Assurance by departments for execution.

During this step, responsibilities are allocated in terms of what actions to done.

Guidelines for Developing Individual Performance Plans

STEP i. Determine the overall strategic objectives of the Municipality on the IDP and determine your Department's strategic focus.

Instead of beginning at the bottom of the Municipality with the job description to develop employee performance plans, begin with the process by looking at your Municipality's overall picture. Review goals, objectives, and performance measures already available. Consider the following questions:

- What are your Department/Department's general outcome goals as outlined in the IDP?
- What are the specific performance objectives established for your Department as outlined in the SDBIP's?
- How best do I contribute toward assisting the Municipality to realize these strategic objectives.

STEP ii: Translate the Department Strategic Objectives in key deliverables for department/units

Once you have identified the strategic objectives of the department, begin to breakdown the department performance areas into individual activities or actions. Ensure that the actions are directly from the IDP and Service Delivery Budget Implementation Plan.

STEP iii: Determine Key Performance Indicators

To develop specifics, you first must determine the general measure(s) important for each activity or action (i.e., quantity, quality, timeliness, or cost-effectiveness). Then, determine how to measure the quantity, quality, timeliness, or cost-effectiveness for the KPI. If you can measure an accomplishment with numbers, record the form of measurement. If the measure of the element is descriptive, determine what the appraiser would see or report that would verify performance is fully achieved

STEP iv: Agree on Sources of Evidence

During this step both the employee and supervisor should agree on the source of evidence. Agreement should be concluded on what type of evidence will determine success of performance. Determine what data to collect for each performance KPIs, which source the data should come from, and whether to collect all the data or just a sample. Determine when to collect the data, as well as who should collect and who should receive the data. Review the existing reports for possible use as feedback reports.

STEP v: Determine how to monitor performance

Monitoring performance means measuring performance and providing feedback to employees. The performance Management Framework requires an ongoing monitoring, which includes, but is not limited to, conducting one or more progress reviews during each quarter. In addition twice-a-year progress review, which is a formal part of the appraisal process, supervisors and employees are encouraged to discuss performance informally and often. Try to design feedback processes that give employees feedback automatically.

STEP vi: Complete the performance plan and check it against guidelines

The first five steps of this process address the guidelines the Municipality should follow in aligning performance plans with organizational goals. The results-oriented performance culture includes a key indicator the Municipality can use to verify they are following the guidelines. The key indicator states performance expectations for employees should be:

Aligned with organizational goals;

- Clear, specific, and understandable;
- Reasonable and attainable;
- Measurable, observable, or verifiable, and results oriented;
- Communicated in a timely fashion; and
- Key in fostering continual improvement in service delivery.

APPROVAL AND SIGNATURES:

MR MOTHOGOANE TB
MUNICIPAL MANAGER

DATE:

Signature by Municipal Manager: