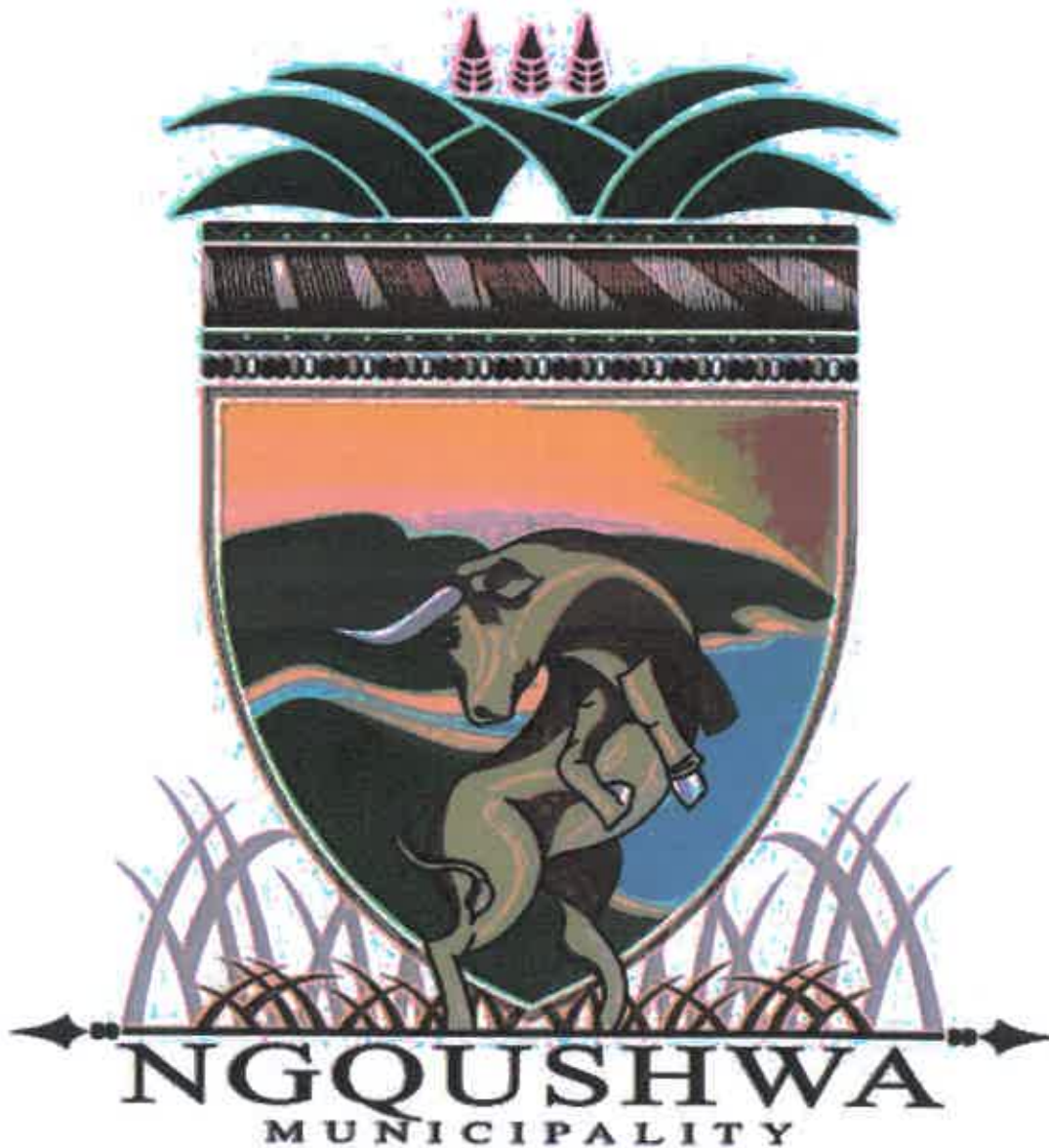


# NGQUSHWA MUNICIPALITY



## PERFORMANCE MANAGEMENT SYSTEM POLICY

2021/22

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## **1. INTRODUCTION AND PURPOSE**

Performance Management is a systematic process by which a municipality involves elected representation, residents and communities and its employees in improving organizational effectiveness in the accomplishment of legislative mandates and strategic imperatives. In giving effect to this definition, the Ngqushwa Municipality has adopted a comprehensive framework that translates the municipal strategy into a coherent set of performance measures and strategic initiatives.

The Ngqushwa Municipality believes that its Performance Management System is a vehicle to promote mutually re-enforcing activities which:

- promotes accountability;
- ensures certainty and predictability;
- corrects lack of performance; and
- rewards excellent performance

This policy document guides the development of a Performance Management System for the Ngqushwa Municipality. It also forms the basis of aligning the IDP with the operational business plans, performance areas and performance indicators of the various departments of the Ngqushwa Municipality.

## **2. LEGISLATIVE AND REGULATORY FRAMEWORK FOR PERFORMANCE MANAGEMENT**

The White Paper on Local Government (1998) identified performance management as one of local government's tools for the implementation of its developmental mandate, in terms of the Constitution.

The Local Government: Municipal Systems Act (No. 32 of 2000) in Chapter Six and the Local Government: Municipal Planning and Performance Management Regulations (No. R796 of 2001), deals extensively with performance management. Lastly, the Local Government: Municipal Finance Management Act (No. 56 of 2003), also makes special reference to performance management.

### **3. OBJECTIVES OF THE PERFORMANCE MANAGEMENT SYSTEM**

Beyond the fulfilling of legislative requirements, the Ngqushwa Municipality requires a performance management system that will monitor, review and improve the implementation of the municipality's IDP. In doing so, it must fulfill the following functions:

#### **3.1 Facilitate increased accountability**

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

- The citizens and Ngqushwa Municipal Council;
- The political and administrative components of the municipality; and
- Each department and the Municipal Manager.

#### **3.2 Facilitate learning and improvement**

While ensuring that accountability is maximized, the performance management system to provide a mechanism for learning and improvement.

It must 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, evaluating and improving the IDP.

### **3.3 Provide early warning signals**

The performance management system to provide managers, the Municipal Manager, Mayor and Mayoral Committee with early warning of risks to full implementation of the IDP. It is important that the system ensures decision makers are timeously informed of risks, so that they can facilitate intervention, if necessary.

### **3.4 Facilitate decision making**

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

## **4. PRINCIPLES GOVERNING PERFORMANCE MANAGEMENT**

The following principles are necessary to inform and guide the development and implementation of the 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 resource capacity and involve external stakeholders.

## **4.2 Politically driven**

Legislation tasks the Mayor as the owner of the performance management system. The Mayor to drive both the implementation and improvement of the system, and may delegate responsibilities in this regard.

## **4.3 Incremental implementation**

The municipality to adopt a phased approach to implementation, dependent on the capacity and resources of the municipality.

## **4.4 Transparency and accountability**

The process to be inclusive, open and transparent. All information on the performance of the municipality should be available for managers, employees, the public and interest groups.

## **4.5 Integration**

The system to 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.

## **4.6 Objectivity**

Performance management to be founded on objectivity and credibility. Both the processes of managing performance and the information on which it relies needs to be objective and credible.

## **5. INITIALISING THE PERFORMANCE MANAGEMENT SYSTEM**

The Municipal Systems Act (2000) places the responsibility on the Council to adopt a Performance Management System, while holding the Mayor responsible for the development and management of the system. The Mayor of the Ngqushwa Municipality delegates the responsibility for the development and management of the Performance Management System to the Municipal Manager. The Ngqushwa Municipality's Directors will be responsible for executing the Performance Management System in their respective departments according to the approved framework.

The Performance Management Section as delegated by the Municipal Manager, will be responsible for organizational performance management. The Performance Management Section to be assisted in various roles by the Departments Finance and Corporate Services and Development Facilitation, Office of the Municipal Manager and Internal Auditors.

The Performance Management Section to be responsible for the following core activities:

- Responsible for the development and implementation of the organizational Performance Management System
- Ensuring Ngqushwa Municipality's implementation and compliance of all legal aspects in respect of the Performance Management System policy.
- Facilitating further development and refinement of the Performance Management System.

- Continuously supporting Ngqushwa Municipality with implementation, assessment, review and monitoring.
- Ensuring the compilation of the annual status report to the Council.

The Performance Management Section will report to the Municipal Manager, who will in turn account to the Mayor, and finally to Council.

The Municipal Manager to keep the Ngqushwa Municipality informed about the transformation, development, implementation and review of the Performance Management System in order to:

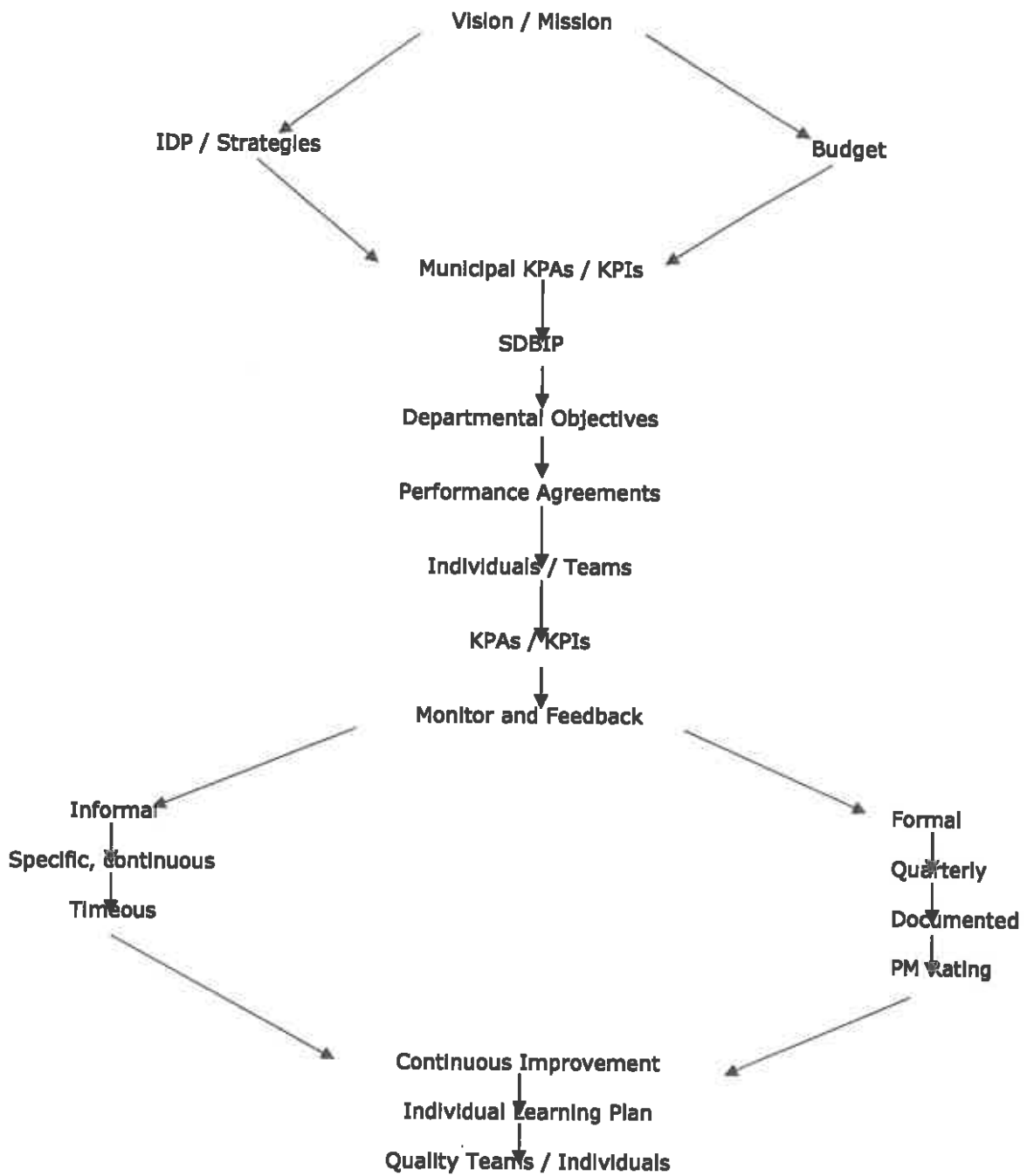
- Communicate these roles, responsibilities and expectations within the municipality and to the public.
- Encourage public participation through the communication of performance information and the creation of appropriate mechanisms.
- Ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive.

## **6. RELATIONSHIP BETWEEN THE IDP AND THE PERFORMANCE MANAGEMENT SYSTEM**

Although the development of the Performance Management System is a separate process, it has very strong parallels with the preparation and development phases of the IDP. The continuous development of the Performance Management System to identify overlaps and to be used to calibrate the synergies between the IDP and performance measurement and performance management of the Ngqushwa Municipality. To ensure a balanced, multi-perspective examination of performance, it is important that the following integration model be adopted:



Figure 6.1: Performance Management Integration Model



## **7. IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM**

### **7.1 Planning for Performance Management**

The municipality to develop an IDP-based implementation strategy. The IDP process and the performance management process are seamlessly integrated. The IDP fulfils the planning stage of Performance Management and Performance Management fulfils the implementation of management, monitoring and evaluation of the IDP process. The IDP delivers products such as a set of delivery priorities and objectives, a set of internal transformation strategies, priorities and objectives, identified projects that contribute to the achievement of the above objectives and a financial plan.

### **7.2 Key Performance Indicators (KPIs)**

#### **7.2.1 Importance of KPIs**

Indicators are measurements that indicate whether progress is being made in achieving the goals. Indicators are important as they:

- Provide a common framework for gathering data for measurements and reporting.
- Translate complex concepts into simple operational measurable variables.
- Enable the review of goals and objectives.

- Assist in policy review processes.
- Help provide feedback to the municipality and staff.

The Ngqushwa Municipality will use indicators as a communication tool between staff, supervisors, managers, directors, the Municipal Manager and Council. It will also serve to identify the gaps between IDP strategies and the operational plans of the various departments.

### **7.2.2 Types of Indicators**

The following types of indicators will be used:

#### ***Baseline Indicators***

These are indicators that measure conditions before a project or programme is implemented.

#### ***Input Indicators***

These are indicators that measure what it costs the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less, in resources terms (efficiency) without compromising quality. The economy indicators may be the amount of time, money or number of people it took the municipality to deliver a service.

#### ***Output Indicators***

These are the indicators that measure whether a set of activities or processes yields the desired products – effectiveness indicators. They are usually expressed in quantitative terms. These indicators relate to programme activities or processes.

### **Outcome Indicators**

These are the indicators that measure the quality as well as the impact of the products / programmes in terms of the achievement of the overall objectives. In terms of quality, they measure whether the products meet the set standards in terms of the perceptions of the beneficiaries of the service rendered. In terms of Impact, they measure the net effect of the products or services on the overall objective. Outcome indicators relate to programme objectives.

All the above types of indicators should be measurable, simple, precise, relevant, adequate and objective.

#### **7.2.3 Setting of KPIs**

The Ngqushwa Municipality to set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objects referred to in Section 26 (c) of the Systems Act. In setting these key performance indicators, the Ngqushwa Municipality will ensure that communities are involved. The Ngqushwa Municipality to ensure that key performance indicators inform the indicators set for all its administrative units and employees as well as every municipal entity and *service provider* with whom the municipality has entered into a service delivery agreement.

#### **7.3 Review of KPIs**

The Ngqushwa Municipality will review its key performance indicators and the national KPIs annually as part of the performance review process, or

whenever it amends its IDP in terms of Section 34 of the Municipal Systems Act.

#### **7.4 Setting Targets**

Performance targets are the planned level of performance or the milestones the Ngqushwa Municipality sets for itself for each indicator identified. The Ngqushwa Municipality will identify baseline measurements, which is the measurement of the chosen indicator at the start of the period. In setting targets, it is important to know how the Ngqushwa Municipality is performing at the current moment. This step also tests whether the chosen indicator is in fact measurable and whether there are any problems. The targets need to be realistic, measurable and be commensurate with available resources and capacity.

The public need to be consulted on their needs and expectations in setting a target. Politicians need to give clear direction as to the importance of the target and how it will address the public need. Targets should be informed by the development needs of communities and the development priorities of the Ngqushwa Municipality.

Line managers need to advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity. Managers will need to advise on seasonal changes and other externalities that should be considered in the process of target setting. There must be clear timelines related to the set targets.

The Ngqushwa Municipality to set, for each financial year, performance targets for each of the key performance indicators set by it. A performance target must be practical and realistic. It must measure the efficiency,

effectiveness, quality and impact of the performance of the Ngqushwa Municipality. It must also identify administrative components, structures, bodies or persons for whom a target has been set. It is important that the set target is commensurate with available resources and the Ngqushwa Municipality's capacity. Finally, targets need to be consistent with the Ngqushwa Municipality's development priorities and objectives set out in its IDP.

## **8. DEVELOPING A MONITORING AND REPORTING FRAMEWORK**

### **8.1 Requirements of a Monitoring Framework**

Performance monitoring is an ongoing process that runs parallel to the implementation of the agreed IDP. The monitoring framework must:

- Identify the roles of the different role players in monitoring and measuring the municipality's performance.
- Allocate specific tasks to the gathering of data and submission of reports.
- Determine the data that must be collected in order to assess performance, how that data is to be collected, stored, verified and analysed and how reports on that data are to be compiled.
- Provide for reporting to the municipal council at least twice a year.
- Be designed in a manner that enables the municipality to detect early indications of under-performance.
- Provide for corrective measures where under-performance has been identified.
- Compare current performance with performance during the previous financial year by using the baseline indicators.

The Ngqushwa Municipality to, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the performance indicators and performance targets set by it.

The mechanisms, systems and processes for monitoring to provide for reporting to the municipal council at least twice a year, be designed in a manner that enables the municipality to detect early indications of under-performance and to provide for corrective measures where under-performance has been identified.

## 8.2 Designing a Performance Measurement Framework

The diagram below sets out a framework with the emphasis on timing, monitoring on a quarterly basis, review panels and reporting. The schedule "starts" in July of the current year to June of the next year, in order to illustrate a full year of continuous measurement.

Line managers will be responsible for most measurements. Measurement, assessment and reporting will be central to the management duties of managers.

**Figure 8.1: Assessment Framework**

July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July
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Assessment Quarter 1	Assessment Quarter 2	Assessment Quarter 3	Assessment Quarter 4	Submission of annual report to the MEC for Local Government
Internal Audit Performance Report to Municipal Manager	Internal Audit Performance Report to Council	Internal Audit Performance Report to Municipal Manager	Internal Audit Performance Report to Council	
Performance Audit Committee Report		Performance Audit Committee Report		

### **8.3 The Municipal Balanced Scorecard as a “Tool” to Assess Ngqushwa Municipality on a Corporate Level**

#### **8.3.1 Objective of the Balanced Scorecard (BSC)**

The balanced scorecard is a conceptual framework for translating an organizations (or municipality’s) strategic objectives into a set of performance indicators distributed among four perspectives, namely, Financial, Customer, Internal Business Processes, and Learning and Growth. Some indicators are maintained to measure an organization’s progress toward achieving its vision; other indicators are maintained to measure the long-term drivers of success.

Through the balanced scorecard concept, an organization monitors both its current performance (finance, customer satisfaction, and business process results) and its efforts to improve processes, motivate and educate



employees, and enhance information systems – its ability to learn and improve.

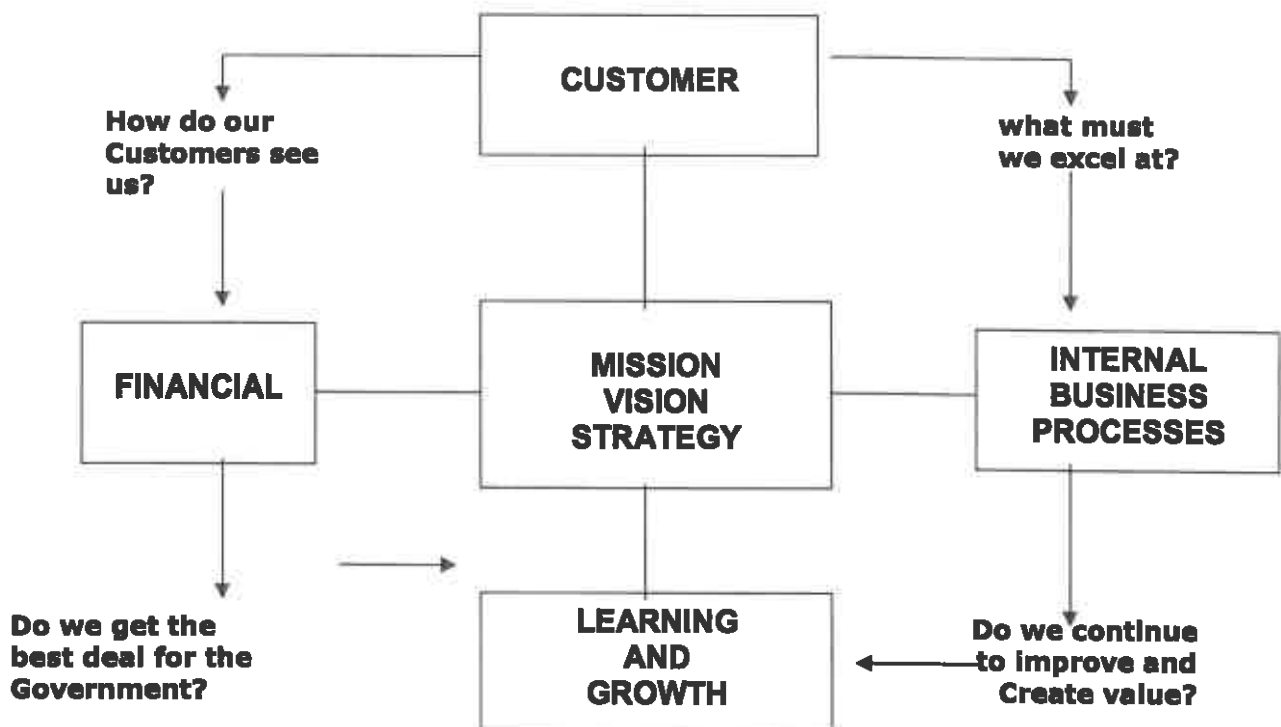
### 8.3.2 The Four Perspectives of the Balanced Scorecard

- **Financial:** Financial considerations for public organizations have an enabling or a constraining role, but will rarely be the primary objective for business systems. Success for public organizations should be measured by how effectively and efficiently they meet the needs of their constituencies. Therefore, in the government, the financial perspective emphasizes cost efficiency, i.e., the ability to deliver maximum value to the customer.
- **Customer:** This perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer service and levels of satisfaction. In the governmental model, the principal driver of performance is different when compared to a strictly commercial environment, namely, customers and stakeholders take pre-eminence over financial results. In general, public organizations have a different, perhaps greater, stewardship / fiduciary responsibility and focus than do private sector entities.
- **Internal Business Processes:** This perspective focuses on the internal business results that lead to financial success and satisfied customers. To meet organizational objectives and customers' expectations, organizations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes will be satisfactory. Internal business processes are the mechanisms through which performance expectations are achieved.

- Learning and Growth:** This perspective looks at the ability of employees, the quality of information systems, and the effects of organizational alignment in supporting accomplishment of organizational goals. Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them. In order to meet changing requirements and customer expectations, employees may be asked to take on dramatically new responsibilities, and may require skills, capabilities, technologies, and organizational designs that were not available before.

The diagram below depicts a Balanced Scorecard framework for Ngqushwa Municipality

Figure 8.2: Strategic Perspectives of a Balanced Scorecard



## 9. LEVELS OF PERFORMANCE MANAGEMENT

The performance management process to unfold at a number of different levels, each aligned to the next. The municipal-wide level to focus on municipal-wide performance, the organizational performance management level focuses on performance of the departments. The individual performance level focuses on individual staff members. Though aligned, the levels differ in the types of indicators that are used to assess performance.

**Figure 9.1: Levels of Performance Management**

Level	Performance Plan	KPIs*	Management Tools
Municipal-wide Performance Management	"Municipal Scorecards" IDP and SDBIP	Outcomes Indices	Surveys Benchmarking
Organizational Performance Management	"Departmental Scorecards" SDBIP	Inputs, process Output	Audit Reports
Individual Performance Management	"Individual Performance Scorecards" Key Performance Areas	Inputs, process Output	Performance Appraisals

## 10. MANAGING PERFORMANCE

The process of managing performance to involve Performance Planning, Measurement and Analysis, Performance Reviews and Reporting and Performance Auditing. The function of performance management to be located in the Office of the Municipal Manager.

### **10.1 Performance Planning**

Performance to be managed in terms of the Integrated Development Plan (IDP), and the Service Delivery and Budget Implementation Plan (SDBIP). Objectives, indicators and targets are to be developed for all the priorities in the IDP, as well as the SDBIP.

### **10.2 Measurement and Analysis**

For each indicator, the municipality will require a responsible official, usually the respective line manager. The official will be responsible for conducting measurements of that indicator, analyzing and reporting these for reviews.

Analysis requires that line managers compare current performance with targets, past performance and possibly the performance of other municipalities, where data is available, to determine whether or not performance is poor. They should also analyse the reasons for performance levels and suggest corrective action where necessary.

Ngqushwa municipal-wide outcome indicators and satisfaction survey need to be coordinated centrally. The Performance Management Section is to be tasked with this responsibility

The following annual surveys be undertaken by the Performance Management Section, to provide data for the indicators:

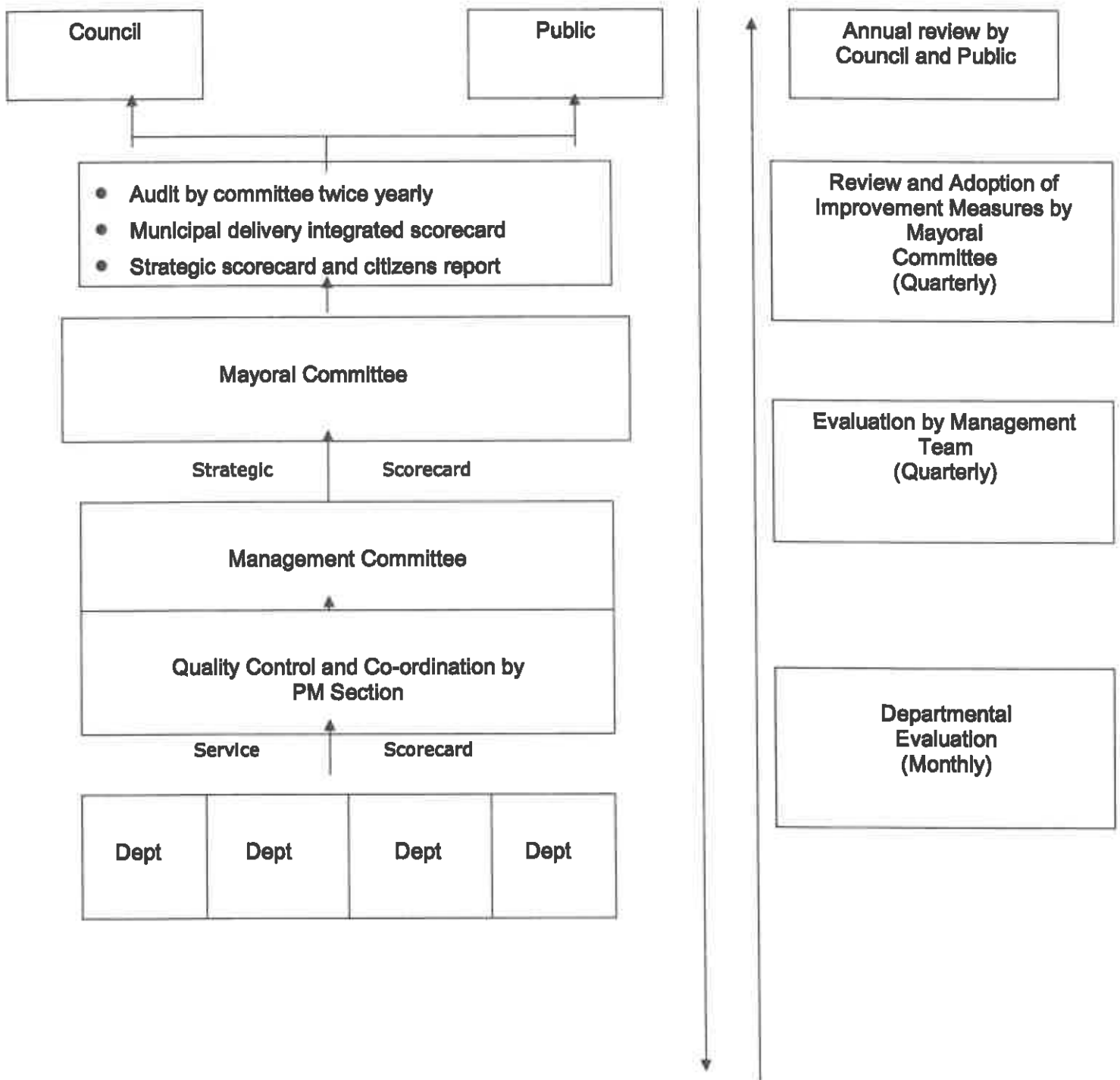
- An annual citizen satisfaction survey conducted for households and businesses in the Ngqushwa Municipal area.
- An annual local municipal satisfaction survey for the 7 seven local municipalities.
- An employee satisfaction survey that is conducted internally.

An overall analysis of municipal performance with respect to the strategic scorecards and service scorecards, at least for quarterly and annual reviews, also need to be provided. Such an analysis will pick up trends in performance over time and over all departments.

### **10.3 Performance Reporting and Reviews**

The figure below indicates the annual process of reporting and reviews.

**Figure 10.1: The annual process of reporting and review**



Departments to review their performance at least monthly, using their service scorecards. Decision makers to be informed of any emerging failures to service delivery, such that they can intervene if necessary. Departments to use these reviews for reflection on their goals and programmes and whether these are being achieved.

### **10.3.2 Management Team Reviews**

Departments need to report on their performance to the Municipal Manager. The management team 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.

### **10.3.3 Executive Committee Reviews**

On a quarterly basis, the Executive Committee should engage in an intensive review of municipal performance. Many of the indicators will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance.

The Executive Committee will need to ensure that targets committed to 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.

It will be important that the Executive Committee not only pay attention to poor performance, but also to good performance. The Executive Committee

to acknowledge good performance, namely where departments have successfully met performance targets. An Annual Mayoral Award for Excellent Performance to be introduced that rewards departments who have excelled in terms of their service scorecards.

#### **10.3.4 Council Reviews**

At least annually, the Executive Committee will be required to report to Council on municipal performance. The Municipal Systems Act requires that the annual municipal report should at least constitute a performance report, financial statements and an audit report.

#### **10.3.5 Public Reviews**

A user-friendly citizens' report to be produced for public consumption. The citizens' report to be a simple, easily readable and an attractive document. Citizens to be involved in the review of municipal performance. Various forms of media including radio, newspapers and billboards to be used to convey the citizens' report. The public to be invited to submit comment via telephone, fax, email and public hearings to be held in a variety of locations.

### **10.4 Auditing and Quality Control**

All auditing to comply with the Systems Act, Section 14 of the Municipal Planning and Performance Management Regulations (No. R 796 of 2001) and the Municipal Finance Management Act, (No. 56 of 2003).

#### **10.4.1 Co-ordination**



The Performance Management Section to co-ordinate and ensure good quality of reporting and reviews. Reports to be uniform and reliable.

#### **10.4.2 Performance Investigations**

The Executive/Mayoral Committee or Audit Committee to commission 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

#### **10.4.3 Internal Audit**

The municipality's internal audit function to audit the performance reports. 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 the Performance Audit Committee.

#### **10.4.4 Performance Audit Committee**

The Municipal Council to establish a Performance Audit Committee consisting of at least three members, the majority of which may not be involved in the municipality as a Councillor or an employee.

The operation of the Performance Audit Committee is governed by Section 14 (2-3) of the regulations. The municipality may choose to use an existing audit committee for this purpose.

The performance audit committee must:

- 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

In order to fulfill their 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.

## **11. EVALUATION AND IMPROVEMENT OF THE PERFORMANCE MANAGEMENT SYSTEM**

The Municipal Systems Act requires the municipality to annually evaluate its performance management system. After the full cycle of the annual review is complete, the Municipal Manager to initiate an evaluation report annually, taking into account the input provided by departments. This report to be submitted to the Executive/Mayoral Committee for discussion and approval.

## **12. THE EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM**

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

Once municipal objectives and targets have been set, it is possible to cascade these down to the relevant departments and individuals. In turn, the individuals and departments, by achieving their objectives and targets, contribute towards the municipality achieving the objectives and targets in its Integrated Development Plan and the Service Delivery and Budget Implementation Plan.

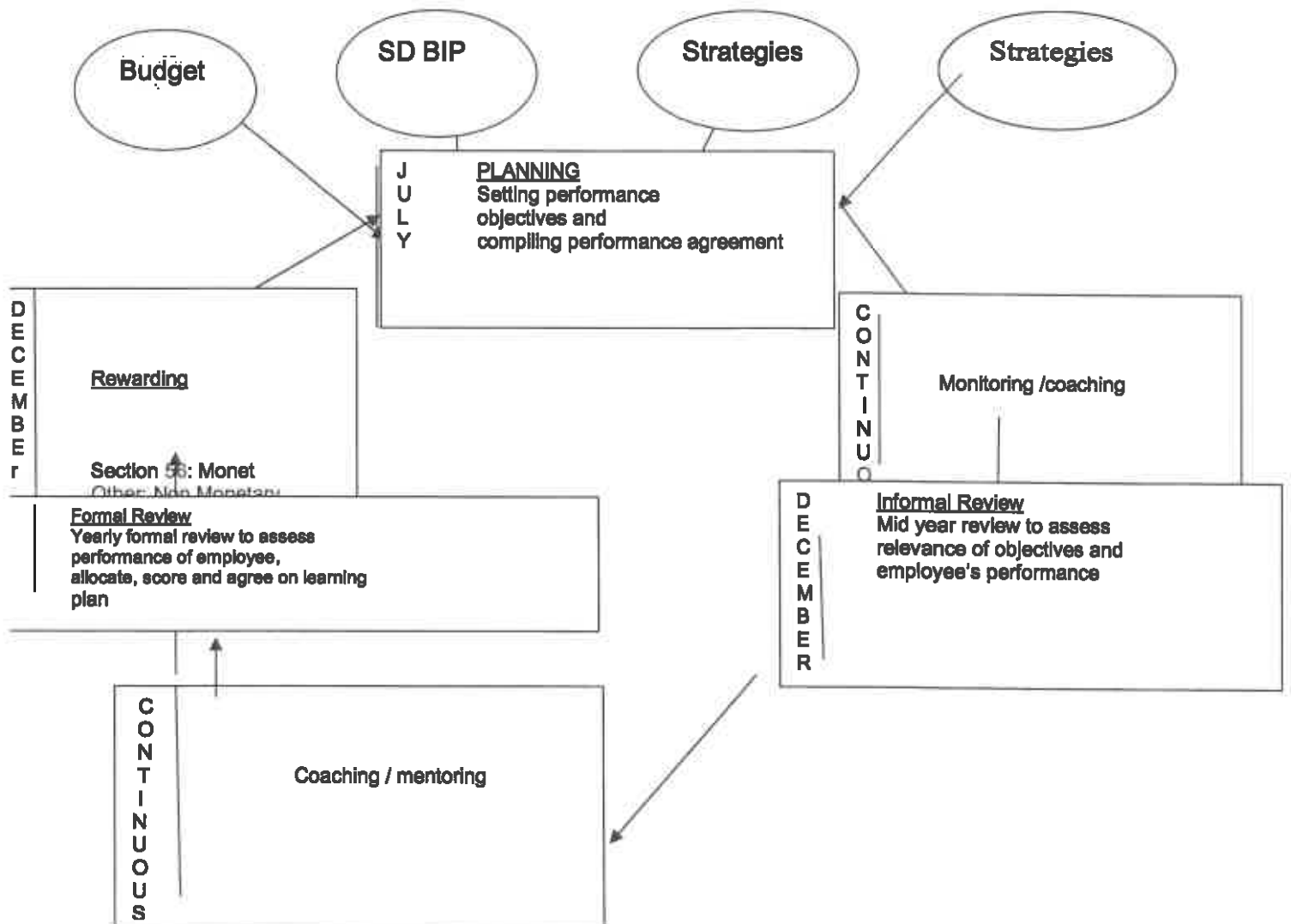
### **12.1 Objectives of the Employee Performance Management System**

The objectives of the system are to:

- improve organizational performance by improving team and individual performance;
- clarify expectations of what teams and individuals are required to achieve;

- develop the skills and competencies of individuals within the organization;
- foster a sound working relationship between managers and employees through the development of agreed objectives, the provision of feedback, counseling and coaching;
- provide a tool for managers to manage the performance of their staff;
- allow employees to become more actively involved in managing their own performance; and
- Reward those employees whose performance exceeds the output criteria.

Figure 12.1: Performance Management Cycle



## **12.2 The Performance Management Cycle**

There are four key phases in the performance management cycle. These phases to be linked to the planning and reviewing phases of the Ngqushwa Municipality as a whole.

The four phases of the cycle are explained below:

- **Planning**

This involves the development of an organizational strategic plan that logically rolls down and translates indicators to functions, departments and ultimately individuals within the organization.

- **Monitoring / Coaching**

In order to monitor, it is necessary to put mechanisms and systems in place to monitor implementation of plans. This includes reporting frameworks, tracking systems and feedback mechanisms.

- **Measuring**

Measuring is about the measurement of targets that have been set. Measurement includes mechanisms such as benchmarking.

- **Reviewing**

This involves a systematic process of reviewing achievements against stated plans and understanding the reasons for the variance where there is variance. It also involves the consideration of new developments and how these need to be incorporated into existing or new plans.

### **12.3 The Manager's/Supervisor's Role In Performance Management**

The Manager's/Supervisor's role in the Performance Management Process includes:

- Using the performance management process to coach employees. This involves giving ongoing feedback to employees and assessing their performance.
- Setting objectives with employees in such a way that continuous improvement is encouraged.
- Monitoring employees' performance against these objectives.
- Using reward and recognition to re-enforce good performance.
- Managing poor performance appropriately.
- Training, coaching and developing employees.

### **12.4 The Employee's Role In Performance Management**

The employee must take an active role in the performance management process. The employee's role includes:

- Suggesting challenging but realistic objectives that will support the municipality's strategies and department goals.

- Taking responsibility for the standard of their performance by trying to improve and develop themselves.
- Developing and implementing action plans so that they can achieve their objectives.
- Asking their Manager/Supervisor for information, help or advice to assist them in meeting their objectives.
- Asking for feedback from others, including their Manager/Supervisor so that they can monitor their own performance.
- Making suggestions on how they can improve on their performance.
- Keeping their Manager/Supervisor informed about how well they are doing in relation to their objectives.
- Keeping their Manager/Supervisor informed of any problems or potential problems which may affect their ability to achieve some or all of their objectives and performance standards.

## **12.5 Employees Covered by the Performance Management System**

Two broad approaches are used to manage the performance of employees. The reason for this relates to the following considerations:

- The Municipal Systems Act, (No. 32 of 2000) requires that the Municipal Manager sign a fixed term contract and a performance agreement, and states that the Managers reporting to the Municipal Manager do the same.
- Section 56 Employees (the Municipal Manager and his/her direct reports), in terms of this policy, have their performance linked directly to financial rewards.

The performance reward system applied to Section 56 Employees will therefore be different from the performance reward system applied to employees who are not Section 56 Employees. Performance Agreements for Section 56 Employees will be linked directly to reward as per the remuneration policy of the Ngqushwa Municipality. Performance Agreements for all other employees will initially be non-financial.

## **12.6 What Is a Performance Agreement?**

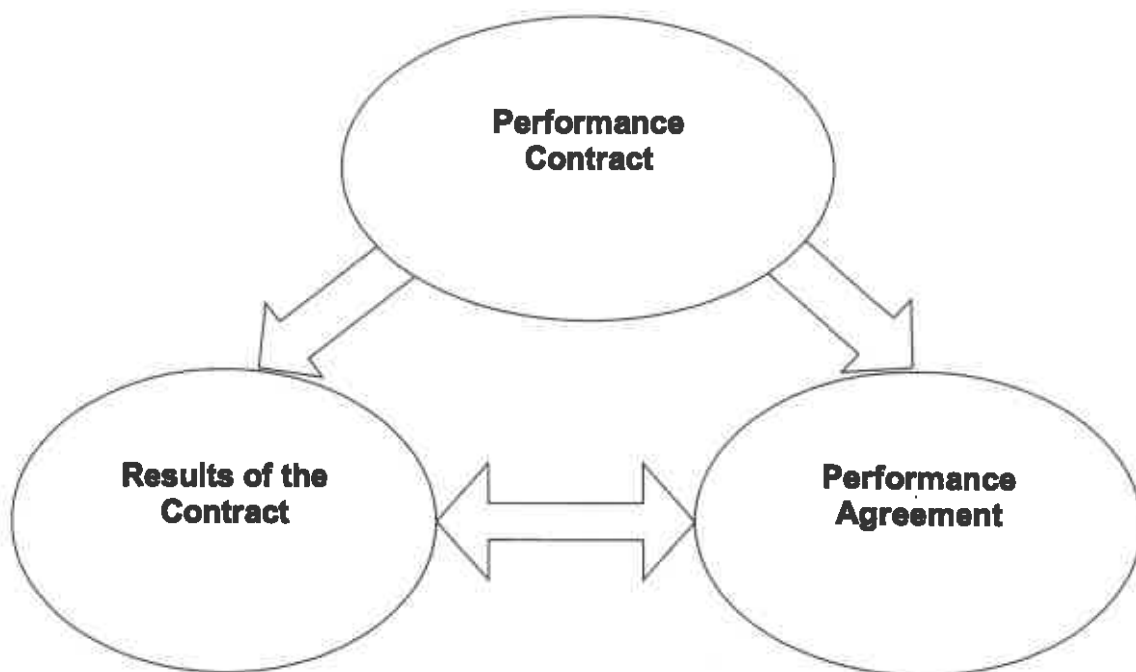
A performance agreement is an agreement between an employee and his / her manager, which regulates the performance required for a particular position and the consequences of the performance.

### **12.6.1 Link between a Contract of Employment and a Performance Agreement**

The employment contract, for example the Municipal Manager and the Directors reporting directly to him / her, should require that the parties conclude performance agreements within a reasonable period of time. The employment contract should be directly linked to the performance agreement, so that the results are measurable. The diagram below illustrates the circular process of the above-mentioned link.



**Figure 12.2 : Link Between Performance Contracts and Performance Agreements**



### **12.7 Reviewing Performance**

Two review sessions are to be held as follows:

- A mid-year review is conducted in December to assess the relevance of the objectives as well as the employee's performance against the objectives.
- A formal final review is conducted at the end of the financial year i.e. June. The final performance score is used to determine the link to financial rewards and/or non-financial rewards. A learning plan for the employee must be developed at the end of the final review.

## 12.8 The Link to Reward

In order to encourage high standards of performance, it is recognized that outstanding performance should be rewarded. There are two ways of rewarding employees within municipalities. This depends upon the manner in which an employee is employed:

- If an employee is on a performance based fixed term employment contract (Section 57), then the policy is that all pay is directly linked to performance. This means that such employees only receive bonuses if they score a particular score in the performance review at the end of the year. **These employees receive cash rewards.**
- If an employee is a permanent employee of Council and is thus covered by the conditions of service of the municipality, performance is not directly linked to pay. These employees must receive rewards for performance, but **these employees receive non-cash rewards**, until such time as a national remuneration policy dictates otherwise.

### 12.8.1 Rating Performance – Section 56 Employees

Performance to be measured against a performance plan i.e. previously established and agreed performance targets. A performance score is calculated according to key performance indicators. Performance scores are added together to give an overall performance score. The amount of the bonus to be determined by the total performance score, according to the bonus scheme base. The bonus will be awarded annually at the beginning of the financial year, after the performance appraisal in June.

### 12.8.2 **Types of Rewards – Bargaining Unit Employees**

Staff that are subject to the conditions of service of the Bargaining Council receive an annual agreed increase negotiated through the National Local Government Bargaining Council. These employees to receive non-cash rewards for outstanding performance.

There are three types of non-cash rewards within the performance management system:

- **Formal Rewards Linked to Personal Scorecards** – this reward is allocated to an individual and is determined by the score on the employee's scorecard. It is given out at the end of the formal review in June.
- **Achievement Awards** – these rewards measure the achievements of an individual or sections/departments against other individuals or sections/departments. They do not therefore link directly to the performance management system of employees, but are an additional effective way to encourage and recognize high performance.

- **Informal Rewards** – very low cost and linked to motivational team building.

**(i) Formal rewards linked to personal scorecards**

Employees who perform well and receive an above average rating during their performance appraisal, but who are not Section 56 employees, are eligible to receive non-financial rewards. These non-financial rewards to be given separately from the pay and benefits package, and to recognize specific achievements identified during the performance appraisal.

Suggested non-financial rewards:

- Employee granted a number of “free” leave days
- The employee to attend a conference/seminar relevant to his/her work that costs a maximum of “free” leave days for that employee
- The employee to select a work tool that will enhance his/her ability to perform better in his/her job that costs a maximum of “free” leave days for that employee

**(II) Achievement Awards**

Each Director to introduce a system of achievement awards into his/her department. These awards do not link directly to the Performance Management System, but may be used as additional ways to encourage and recognize high performance.

Heads of Departments to introduce at least two of the awards into their department, and budget accordingly:

- Team Member of the Month
- Team Member of the Year
- Manager/Supervisor of the Year
- Section/Branch of the Year
- Best Improved Employee of the Year

Achievement awards are for an employee that has displayed special qualities during the period, who has received positive recognition externally, or has in some way contributed to the image of their team. It must be a person that through showing some initiative, has added value to the team/municipality.

### **(iii) Informal Rewards**

Informal Rewards are spontaneous rewards and forms of recognition that can be implemented with minimal planning and effort, by Departmental Heads. As part of the informal reward scheme, managers must plan to make use of some of the Informal rewards.

The following are examples of Informal rewards, and is by no means an exhaustive list:

#### **NO COST**

- Call an employee into your office just to thank them – don't discuss any other issue
- Post a thank you note on their desk or personal computer
- Have the Municipal Manager call the employee to thank him/her for the job well done, or have him/her visit the employee at his/her place of work.

- Write them a personalized (hand-written) letter of thanks or a thank you card
- Publish their achievements on the Notice Boards or Internal Newsletters.

### **LOW COST**

- Arrange a meal out for employee and spouse
- Sponsor a visit to a health spa or beauty parlour
- Cover the person's desk with balloons/flowers
- Give a magazine subscription
- Give movie tickets or tickets for local events
- A cap / key ring / tie / calculator / wallet / umbrella / watch / pen

### **13. THE ROLE OF THE PERFORMANCE MANAGEMENT SECTION**

The Performance Management Section in the Office of the Municipal Manager is the custodian of the performance management system. (See Section 5). It is the responsibility of the Section to communicate the system to all employees, ensure that the system operates effectively, and as such, is required to exercise some form of quality control. The Performance Management Section also to assist in planning performance and conducting performance reviews. The responsibility however, for ensuring that employees' performance is managed, rests with the Manager/Supervisor of the employees and **not** with the Performance Management Section.

The Performance Management Section is required to organize the necessary training courses to equip Managers/Supervisors with the skills to use the Performance Management System effectively.

The Performance Management Section will conduct follow-up and evaluation studies, including attitude surveys, to assess the effectiveness of the system. Amendments to the system, to improve its effectiveness, will be made from time to time, as appropriate, by the Performance Management Section, and communicated to employees.

#### **14. THE LINK TO TRAINING AND DEVELOPMENT**

Every employee is required to have an individual learning plan (ILP) that is prepared at the end of the formal performance review in June. These plans should form a key part of the skills development planning process. Individual learning plans provide the opportunity for Managers/Supervisors and employees to jointly identify training and development needs in order to improve job performance and to support individual development.

Managers are encouraged to use development activities other than training courses, when preparing the learning plan. Such development activities may include:

- On-the-job training
- Mentoring
- Self-study
- Reading
- Part-time study
- Involvement in a specific project or task force

#### **15. THE LINK TO EMPLOYMENT EQUITY**

Performance management to contribute to the achievement of the municipality's Employment Equity strategy in a number of ways:

- The individual learning plan must reflect tasks relevant to assisting selected employees in developing into senior positions, thus contributing to enhancing the potential of individuals to carry out higher level jobs.
- During the planning phase of the performance management cycle, objectives that are set for selected individuals should expose them to more and more challenging tasks so that, when they are promoted, they have already been exposed to higher level tasks.

## **16. ROLE OF EMPLOYEE REPRESENTATIVES**

Employees may request the presence of an interpreter at any performance Interview if not conversant with the language used. Employees may only request assistance by a representative, at the appeal stage of the performance appraisal process.

## **17. THE APPEALS PROCEDURE**

Should employees not agree with the contents of their performance agreement after the planning discussion, or with the final scores that are allocated to them by their Manager/Supervisor after the review discussions, they may lodge an appeal. An appeal hearing to be arranged by the Performance Management Section within a prescribed period. The Arbitrator appointed for the appeal hearing to make a final and binding decision in order to resolve the dispute.

## **18. MANAGING POOR PERFORMANCE**

Poor work performance must be dealt with in terms of the incapacity procedure, as outlined in the applicable Labour Legislation. Should an



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

**Managers/Supervisors to:**

- Identify whether the employee is failing to meet the required performance standard.
- Determine the reasons for the poor work performance.
- Institute remedial steps for poor work performance.
- Assist the employee in the form of training, guidance, etc., required to render satisfactory service, together with a fair opportunity to improve.
- Provide for a fair hearing in terms of the Municipality's disciplinary procedure, which must precede dismissal if performance fails to improve.
- Take the following issues into consideration when considering a dismissal for poor work performance (incapacity):
  - Did the employee fail to meet a performance standard?
  - Was the employee aware, or should he/she have been aware of the required performance standard?
  - Was the employee given a fair opportunity to meet the required standard?
  - Is dismissal the appropriate sanction?

**Table 11: Scoring suggested by the Regulations (2006)**

<b>Level</b>	<b>Terminology</b>	<b>% Range</b>	<b>Description</b>
<b>5</b>	Outstanding performance	Greater than 130%	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.
<b>4</b>	Performance significantly above expectations	100-129%	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.
<b>3</b>	Fully effective	90-100%	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.
<b>2</b>	Performance not fully effective	60-89%	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.
<b>1</b>	Unacceptable performance	Below 60%	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.
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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 three and reflecting as a percentage.

## **19. Responding to Good Employee Performance**

### **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

4. that the council had clean audit opinion from Auditor's General

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% - 15%.
3. In addition to what is suggested in the regulations in Ngqushwa a score of 100%-130% should result in a bonus of between 0% to 5%.

**1.2. Dispute resolution**

Any disputes about the nature of the employee's performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/ or salary increment in the agreement, must be mediated by –

- (a) In the case of the Municipal Manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC; and
- (b) In the case of managers directly accountable to the Municipal Manager, the executive mayor within thirty (30) days of receipt of a formal dispute from the employee; whose decision shall be final and binding on both parties.

## 20. Performance below Section 56 Managers linked to OPMS

1.1 Individual or staff Performance Management deals with *performance on the level of the individual employees*. Individual performance targets are also formulated during the business planning process referred to in par 6.2. Measuring staff performance provides council and management with appropriate information on the behaviour of staff and outcomes in the workplace. Reviewing staff performance at regular intervals also provides information on performance gaps and/or excellence. At section 56 level the 2006 Municipal Performance Regulations for Municipal Managers and Managers reporting directly to Municipal Managers prescribe a legislative framework for linking the Individual performance of section 56 Managers to the strategy and operations of a municipality.

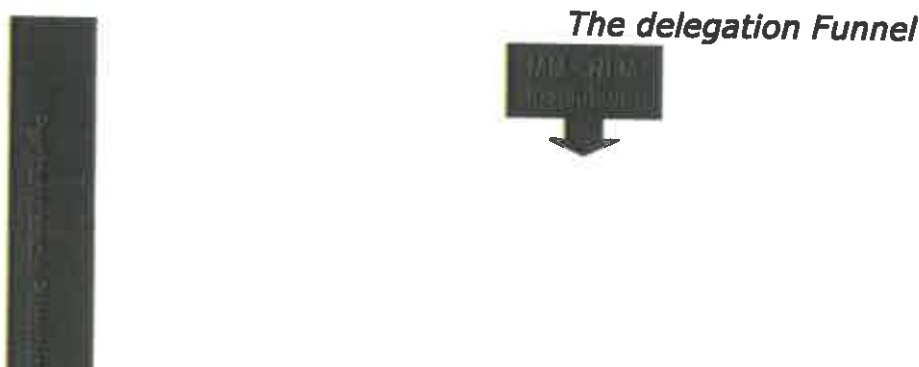
The cascading of PMS deals with delegation of performance measures from strategic to operational level, i.e. from IDP to the SDBIP, and forms the link between institutional and Individual performance management. This ensures that performance management at various levels relates to one another in line with the MFMA and MSA.

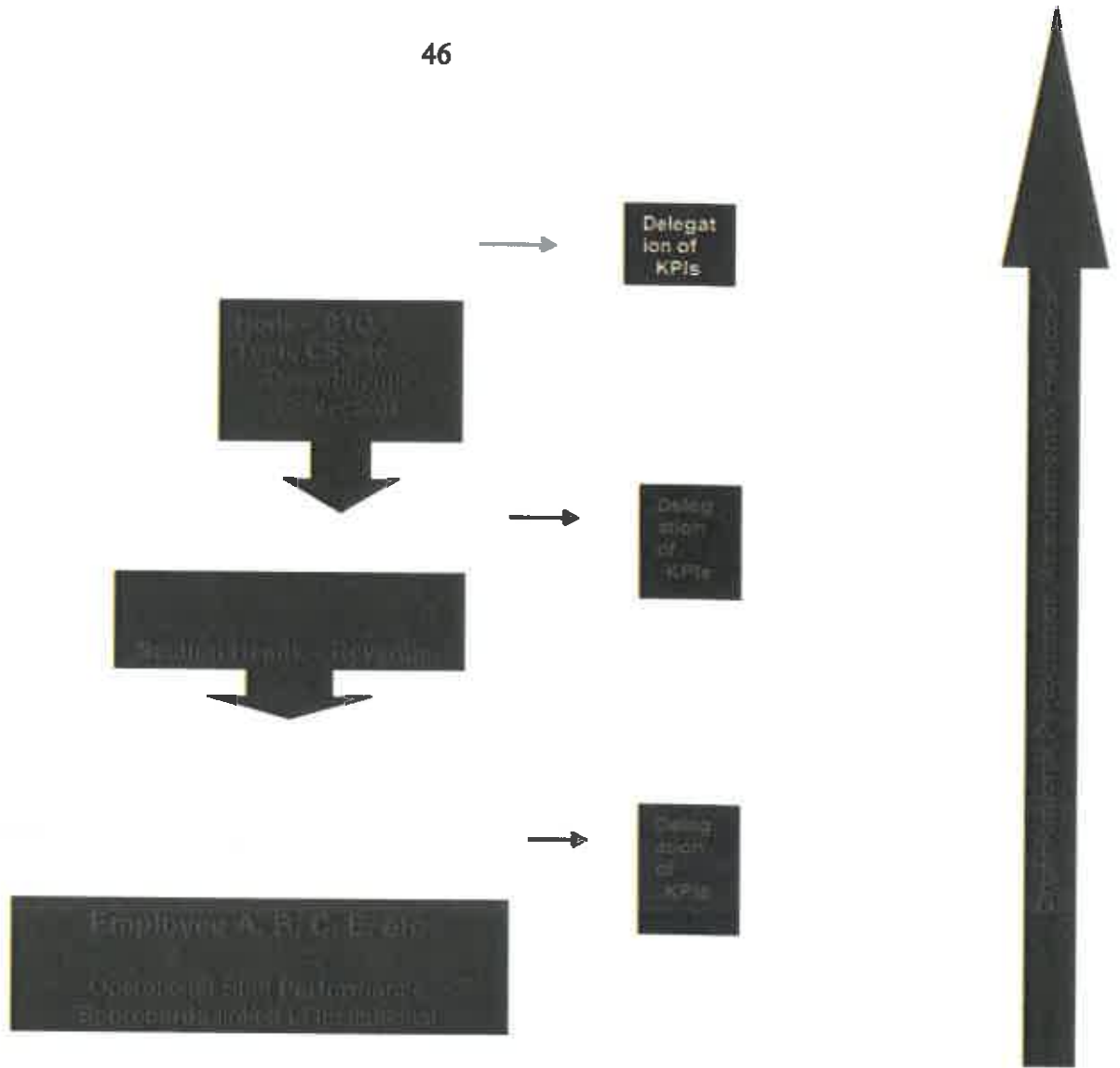
The MFMA specifically requires that the annual performance agreements of managers must be linked to the SDBIP of a municipality and the measurable performance objectives approved with the budget (circular 13 of the MFMA). The SDBIP in essence becomes the nucleus mechanism to translate and manage the performance objectives enshrined in the IDP to individual performance.

Furthermore and in order for the PMS to permeate across the entire organisation including levels below section 56, the PMS ought to be cascaded down to all staff that support Heads of departments. The cascading of PMS inculcates a culture of accountability and alignment of the day-to-day individual actions to the broader strategies and objectives of the municipality. The cascading of PMS also enables the recognition of good performance whilst correcting underperformance. To this end the municipality must develop *systems and processes* that ensure that cascading of PMS becomes a reality and is practical.

This cascading process is illustrated by the diagram below.

### INDIVIDUAL PERFORMANCE – CASCADING OF INSTITUTIONAL PERFORMANCE PLANS





	<ul style="list-style-type: none"> <li>- SDAs</li> <li>- Action Plan</li> <li>- Follow up meeting notes</li> <li>- Portfolios of evidence</li> <li>- Training records, etcetera</li> </ul>	<p>and appropriate action detailed on action plan with timeframes.</p> <ul style="list-style-type: none"> <li>- Follow up meetings and manage progress.</li> </ul>		
<b>3. Formal Reviewing</b>	<ul style="list-style-type: none"> <li>• Formal performance report prepared with supporting POEs</li> <li>• Quarterly internal auditing of performance reports</li> <li>• Quarterly performance review (signed)</li> <li>• Annual performance review (signed)</li> </ul> <p>Documents required:</p> <ul style="list-style-type: none"> <li>- SDAs</li> <li>- Quarterly and annual performance reports</li> <li>- Attendance registers</li> <li>- Minutes of the review</li> <li>- Portfolios of evidence</li> <li>- Evaluation Panel score-sheet and Consolidated Score-sheet</li> </ul>	<ul style="list-style-type: none"> <li>• First Review is by the subordinate (self-score)</li> <li>• Manager and subordinate discuss and agree on performance results, agreement sought (re-scores and sign-off of assessments sheets).</li> <li>• Final review requires consolidated panel score as per policy.</li> </ul>	Quarterly (Sept, Dec, Mar & Jun)	<p><b>Evaluation Panel</b></p> <ul style="list-style-type: none"> <li>• Head of department</li> <li>• Corporate Services representative (secretariat)</li> <li>• Union representatives</li> <li>• M&amp;E representative (observer)</li> </ul>
<b>4. Rewarding</b>	<ul style="list-style-type: none"> <li>• Submission of results to</li> </ul>	<ul style="list-style-type: none"> <li>• Results audited by</li> </ul>	June (applicable)	Hod, manager &

	Corporate Services Manager for processing • Award as per policy (refer to the table below)	Audit Committee • Results read together with policy and reward applied as per policy	for June but only conducted after Final Annual Report tabled and approved.	subordinate
NOTE: Reporting for individual staff (below section 56) is facilitated by Corporate Services Manager <b>PERFORMANCE MANAGEMENT IS A PROCESS (DAY TO DAY), NOT A ONE TIME EVENT!</b>				

## 21. Individual Performance planning below section 56

The most efficient and mostly utilised approach is that which delegates the section 56 key performance indicators and targets encapsulated in the municipal scorecard and operational plans to line managers and below, and this is done within the ambits of the employee's job description. This principle approach integrates and intertwines the performance at various levels of the organisation and that each level is an integral part of the entire value chain performance management system of municipality.

To this effect, managers below section 56 managers must sign **Service Delivery Agreements (SDAs)** and **Performance Development Plans (PDPs)** linked to the **Work-place Skills Plan** of the department as demonstration of the will and confidence to deliver the KPIs and targets of the senior managers in the department.

The SDAs and PDPs shall remain in force for a period of a year and reviewed annually or at anytime at the discretion of the supervisor after consultation with the employee.

## 22. Individual Performance Monitoring and feedback below section 56

On the basis of the SDAs, each employee shall prepare Weekly Performance Plans (WPPs) to systematically implement the KPIs and targets in the SDAs. Thereafter weekly reports shall be prepared for status quo review by supervisors, decision making and support of



subordinates. **Note: a portfolio of evidence and /or reasons and corrective action must form part of the weekly reports to supervisors, this is in line with the "early warning system" prescribed by the MSA.** The advantage and benefit for this is that performance will begin to be an on-going process rather than an event and performance information will be maintained efficiently to inform high-level individual and institutional performance.

### **23.Individual Performance Evaluation below section 56**

On a quarterly basis, the heads of departments and unit heads must formally assess the performance of staff based on prepared performance reports and portfolio of evidence. The assessment must be based on delegated KPIs and targets from the departmental scorecard. Once completed, this assessment shall inform assessments of managers above until the level of the municipal manager.

#### **Mayor's Merit Award**

A Mayor's merit award will be introduced for all employees that perform excellently based on the following awards:

<b>Score obtained on Performance Assessment</b>	<b>Reward Scale</b>	<b>The Employee may be eligible to choose ONE of the options listed below</b>
4.5 - 5	Platinum (>100% - 129%)	<p>Medal plus:</p> <p>a) Employee is granted 6 "free" leave days.</p> <p style="text-align: center;">or</p> <p>b) The Employee is eligible for a 100% study bursary to a maximum of R20000 only for a degree/diploma directly relevant to his/her job function</p> <p style="text-align: center;">or</p> <p>c) The Employee may select a work tool that will enhance his/her ability to perform better in his/her job that costs a maximum of 6 leave days for that employee</p>
3.9 - 4.5	Gold (100% - 120%)	<p>Medal plus:</p> <p>a) Employee is granted 4 "free" leave days</p> <p style="text-align: center;">or</p> <p>d) The Employee is eligible for a 70% study bursary to a maximum of R14000 only for a degree/diploma directly relevant to his/her job function</p> <p style="text-align: center;">or</p> <p>b) The Employee may select a work tool that will enhance his/her ability to perform better in his/her job that costs a maximum of 4 leave days for that employee</p>
3.1 - 3.9	Silver (80% - 100%)	<p>Medal plus:</p> <p>a) Employee is granted 2 leave days</p> <p style="text-align: center;">or</p> <p>e) The Employee is eligible for a 50% study bursary or R10000 for a degree/diploma directly relevant to his/her job function</p> <p style="text-align: center;">or</p> <p>b) The Employee may select a work tool</p>

		that will enhance his/her ability to perform better in his/her job that costs a maximum of 2 leave days for that employee
3 - 3.5	60 % - 79.9%	No specific reward
0 - 4	< 60	Compulsory performance counselling

### **1.2.1. Salary Adjustment**

The respective employee's salary can be adjusted if it is understood that the high levels of performance can be sustained and are not once-off. This salary adjustment is over and above any inflationary adjustment.

1.1.1 Should an employee who has received a non-financial reward in the form of a work tool, leave the employment of Ngqushwa Municipality and wishes to take the work tool, the employee will be required to pay tax on the value of the tool.

### **1.2.2. Special Opportunities**

Special opportunities will be created such as special study opportunities and exchange programmes that could benefit high performing employees.

### **1.2.3. Promotion**

Employees who consistently perform well will be given more responsibility and promoted where opportunities arise.

### **1.2.4. Addressing Poor Employee Performance**

In the case of unacceptable performance, the municipality shall:

- Provide systematic remedial and developmental support to assist the employee to improve his/her performance.
- Provide appropriate performance counselling and support, offering reasonable time for improvements in performance.

If performance does not improve, the municipality will consider steps to terminate the contract of the employee on the grounds of poor performance or operational incapacity.


The Labour Relations Act, requires an employee to be given two written warnings, before termination of employment can be sought due to poor performance.

## 24. CONCLUSION

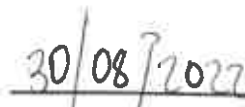
No Performance Management System operates in isolation as it is a systems-wide intervention which ensures control in the ultimate achievement of the vision / mission, strategic objectives and goals. It is therefore important that the Ngqushwa Municipality takes ownership and "grows" into its own Performance Management System.

**This policy is adopted and approved by the full Ngqushwa Local Municipality Council for Implementation**

  
\_\_\_\_\_  
**MUNICIPAL MANAGER**

  
\_\_\_\_\_  
**DATE**

  
\_\_\_\_\_  
**MAYOR**

  
\_\_\_\_\_  
**DATE**