

CHAPTER 5: PERFORMANCE MANAGEMENT SYSTEM

5.1 INTRODUCTION

The purpose of this Chapter is to reflect the status quo of the CoT's Performance Management System.

5.2 BACKGROUND

The Constitution of the Republic of South Africa, Chapter 7 of Act 108 (1996), deals exclusively with the local sphere of government and lists the objects and developmental duties of municipalities. The Municipal Structures Act Section 19(1) states: "A municipal council must strive within its capacity to achieve the objectives set out in Section 152 of the Constitution" and Section 19(2) of the same Act stipulates: "A municipal council must annually review its overall performance in achieving the objectives referred to in subsection (1)". The way that local government can manage and ensure that its developmental objectives have been met, is thus through the performance management system.

Government, within this governance framework, gives us the tools to execute the above objects and developmental duties.



The White Paper on Local Government, March 1998, refers: "Integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on the development in their area.

It will enable them to focus on priorities within an increasingly complex and diverse set of demands. It will enable them to direct resource allocation and institutional systems to a new set of development objectives."

It is thus an integrated system that is best described in Chapter 6 of the MSA, which specifically emphasises that the municipality must implement a performance management system that is in line with the priorities, objectives, indicators and targets contained in the IDP. The saying "what you measure you become" is appropriate because it is only in the course of performance management that a municipality will know whether it achieves its priorities through an integrated planning and implementation process.

Thus, Chapter 6 of the MSA requires local government to:

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

Furthermore, the MFMA obligates a Service Delivery and Budget Implementation Plan (SDBIP) to be based on specific targets and performance indicators derived from the IDP, thus linking the IDP, the performance management system and the budget. Section 67 of the MSA regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to develop an efficient and effective culture.

In other words, good corporate citizenship is all about how the municipalities set their priorities through the performance management system as per the IDP, conduct their business as per the SDBIP and relate to the community they serve through community input and public participation. The purpose of the IDP is to ensure

that the resources available to the municipality are directed at the delivery of projects and programmes that meet agreed municipal development priorities.

Once a municipality starts to implement its IDP it is important to monitor that:

- The delivery is happening in the planned manner
- The municipality is using its resources most efficiently
- It is producing the quality of delivery envisaged

To comprehend the relationship between IDP review and performance management, the following quotation from the Performance Management Guide for Municipalities, DPLG, 2001 (draft 2, page 16) becomes relevant:

“The IDP process and the performance management process should appear to be seamlessly integrated. Integrated development planning fulfils the planning stage of performance management. Performance management fulfils the implementation management, monitoring and evaluation of the IDP process”.

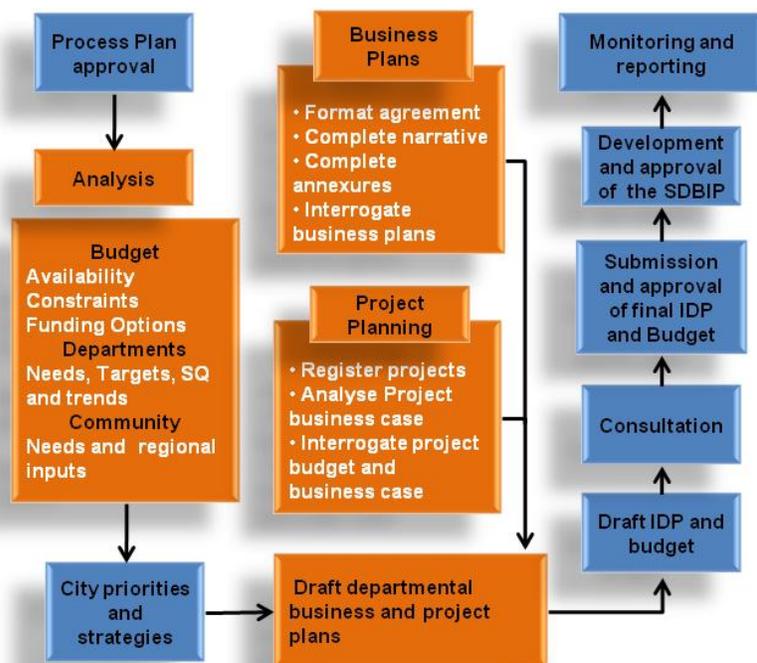
Although the IDP is a five-year plan, it has to be renewed annually as prescribed in Section 34 of the MSA. The IDP has to be handled at the highest level, hence the allocation of the responsibility to the executive mayor¹²⁵ to manage the IDP process and to assign responsibilities to the municipal manager. As head of the administration, the municipal manager in turn is responsible and accountable for the formation of an efficient and accountable administration to give effect to the IDP.¹²⁶

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. It determines the performance agreements for the municipal manager and Section 57 managers, whose performance can then be monitored through Section 71 monthly reports, and evaluated through the annual report process.

Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager, published in 2006 seek to set out how the performance of municipal managers will be uniformly directed, monitored and improved. The regulations address both the employment contract of a municipal manager and the managers directly accountable to the municipal manager (Section 57 managers).¹²⁷

A good performance management model will therefore align the processes of performance management to the IDP processes of the organisation. It will ensure that the IDP is translated into scorecards and performance plans that will be monitored and reviewed.

Diagram 30: Performance management model



The categories of key performance areas provided by a model should relate directly to the identified priority areas of the IDP. This process is illustrated by Diagram 30. As is indicated, the CoT's is following a

¹²⁵ Section 30 MSA

¹²⁶ Section 55 MSA

¹²⁷ The new Performance Management Framework must address and update the employee performance management system as per the 2006 Regulations.

comprehensive and integrated approach that is initiated by the approval of the IDP and Budget process plan, followed by an intense analysis and priority setting phase. The departments respond to the priorities and strategies through the development of business plans and detail project plans as facilitated by the BPM&E unit. After the interrogation of both business and project plans, a draft IDP and budget is put through a transparent consultative process before submission to and approval by Council. The approval of the IDP and budget initiates the development and submission of a SDBIP that culminates into a monitoring and reporting process on a monthly, quarterly and annual basis.

5.3 OVERVIEW OF POLICIES GUIDING PERFORMANCE MANAGEMENT IN THE CoT

5.3.1 Policy Framework

On 28 August 2003¹²⁸, the Council adopted a Performance Management Framework regulating the performance management system in the municipality. The framework provides guidelines on the development and implementation of the organisational performance management system. An employee performance management policy was subsequently¹²⁹ submitted to Council and is to be resubmitted to the Mayoral Committee and Council for approval and a reviewed performance management framework and procedure manual is still in development stage.

a) Planning for Performance Management

In planning for performance management and in the process of reviewing its policy, CoT has aimed to ensure that the system complies with all the requirements set out in legislation with specific reference to the 2001 Regulations.

Amongst others the CoT aims to:

- Show how it is going to *operate and manage the system from the **monitoring up to the stages of performance reporting evaluation and review*** ;
- Indicate how the various stakeholders and role-players including the community will be included in the implementation and functioning of the system;
- Clarify how it will implement the system within the framework of the IDP process, including any procedures to be followed;
- Address the matter of how often reporting will take place and to whom; and
- Link the organisational performance management system to the employee performance management system.

The CoT is in the process of ensuring better alignment between the IDP and the performance management processes and systems. Through the IDP, CoT plans for performance management, and through performance management CoT manages, monitors and evaluates the achievement of the IDP.

b) Priority Setting

Through consultation with the community and other key stakeholders, the IDP process helps to define:

- What the delivery priorities and objectives are. The objectives clearly identify the developmental priorities of the CoT. The institution expanded on the roll-out plan in the SDBIP to ensure that it is tangible and measurable;
- What transformational initiatives will be undertaken by the institution;
- Which strategic projects will be implemented to achieve the delivery priorities and objectives;
- What financial resources will be used to realise the priorities.
- How CoT will measure the achievement of the objectives through clear indicators. The National Key Performance Indicators are prescribed in Section 43 of the MSA and must therefore be included in CoT's IDP.

¹²⁸ This policy framework is currently under review and takes note of new legislation introduced and specific requirement that is laid down from the different provincial and national departments that is compatible to its development plans and planning requirements binding on the municipality in terms of legislation.

¹²⁹ Corporate and Shared Services Department Strategic Human Resources Management Division Re-submission of the CoT Performance Management Policies initially submitted to Council on 28 August 2008

They include:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
- The percentage of households earning less than R1 100 per month with access to free basic services
- The percentage of the municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of its IDP.
- The number of jobs created through the 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 CoT's approved employment equity plan.
- The percentage of the municipality's budget actually spent on implementing its workplace skills plan.
- Financial viability which looks at debt coverage, outstanding debtors to service revenue, and cost coverage. Each of these areas are expressed by ratios as follows:

Table 109: Financial Viability

Area of financial viability	What it means	Formula we must report against	What does the formula mean?	What the implications are for the City
Debt coverage	How much of money we owe can we pay back, such as loans.	$A = \frac{B - C}{D}$	"A" = debt coverage "B" = total operating revenue received "C" = operating grants "D" = debt service payments (i.e. interest redemption) due within the financial year;	If A is lower than we planned, then it means that we do not have funds to pay loans.
Outstanding service debtors to revenue	How much of money is still owed by the community for water, electricity, waste removal and sanitation compared to how much of money we have been paid for these services.	$A = \frac{B}{C}$	"A" = outstanding services debtors to revenue "B" = total outstanding service debtors "C" = annual revenue actually received for services	The less people who pay and the more people who owe impacts on whether we can buy more water for example to provide to the community.
Cost Coverage	How much of money is available to run the city	$A = \frac{B + C}{D}$	"A" = cost coverage "B" = all available cash at a particular time "C" = investments "D" = monthly fixed operating expenditure	If A is lower than we planned, it means that we do not have sufficient funds to run the city. If A is higher than planned, it could mean that we have more cash because we are collecting all owed to us, our investments are doing well, or that projects are not spending their funds.

The CoT reviews its other key performance indicators annually as part of the performance review process. This is initiated through the review of the IDP, SDBIP and budget annually, and filters through to the individual performance plans.

c) Setting Targets

The CoT continuously aims to ensure that its targets comply with the Performance Management Regulations (Chapter 3, Regulation 12, 2001).

Therefore the targets set in the IDP have to:

- Be practical and realistic;
- Measure how effective and efficient the CoT is, as well as what the impact it is making;¹³⁰
- Clearly indicate who (which department) will deliver a target;
- Have corresponding resources;
- Include the budget;
- Relate to the priorities and objectives for development as in the IDP; and
- Update targets against achievement, community priorities, available resources and the national strategic agenda¹³¹.

The setting of targets is under investigation to comply with the suggested DPLG calculator, to present specific scores per target achievement that can advance strategic decision-making, and to evaluate CoT's successes against strategic intent.¹³²

d) Performance monitoring

Monitoring is the regular observation and recording of activities taking place in a project or a programme, or of a key performance indicator. It is a process of routinely gathering information on all aspects of the strategic objective, key performance area, programme or project. Monitoring also involves giving feedback about the progress of the project to the donors, implementers and beneficiaries of the project.

Once a municipality has developed outcomes, outputs, targets and performance indicators in the IDP, SDBIP and Individual Performance Plans, it must set up mechanisms and systems to monitor the extent to which objectives, projects and processes are realised.

The 2001 Regulations Chapter 13 reads:

- (1) A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it
- (2) The mechanisms, systems and processes for monitoring in terms of sub regulation (1) must:
 - (a) Provide for reporting to the municipal council at least twice a year.
 - (b) be designed in a manner that enables the municipality to detect early indications of under-performance, and
 - (c) provide for corrective measures where under-performance has been identified.

The performance monitoring is an ongoing process that runs parallel to the implementation of the agreed IDP. A municipality must develop a monitoring framework that identifies the responsibilities of the different role-players in monitoring and measuring its performance and allocate specific tasks in respect of the gathering of data and submission of reports.

Performance monitoring:

- Is an ongoing process that runs parallel to the implementation of the approved IDP.¹³³ It identifies the roles of the different role players in monitoring, reporting and evaluating the municipality's performance measurement.
- Ensures that specific tasks are allocated to the gathering of data and submission of reports.
- Ensures that procedures are in place to collect, store, verify and analyse data and to produce reports.
- Provides for reporting to the municipal council as per legislative requirements.
- Is designed in a manner that enables the municipality to detect early under-performance (organisational and employee performance management).

¹³⁰ The CoT (BPME) is currently reviewing the existing framework with the possible development of a procedure manual to be developed on how better alignment between implementation and impact can be achieved.

¹³¹ The IDP review cycle will be addressed in the procedure manual as to ensure that the municipal Lekgotla give timeous directed input into the City Scorecard.

¹³² A principled decision in the proposed Procedure Framework and Manual (PFM).

¹³³ The framework is being reviewed to make provision for the Procedure Manual for monitoring and evaluation.

- Provides for corrective measures where under-performance has been identified (organisational and employee performance management).
- Compares current performance with performance during the previous financial year and baseline indicators.
- Re-directs the performance management system to make available accessible management information data for better decision-making.

e) **The Performance Measurement Framework**

The Balanced Scorecard Model was adopted by the CoT and is aimed at measuring performance across four perspectives, i.e. Customer, Internal Processes, Financial, and Learning and Growth.

In the development of the current City 5-Year Programme (5YP), CoT did not, however, use the Balanced Scorecard methodology (which was approved for the performance management process) as the point of departure for its strategic planning process. The CoT in the framework under review is now investigating the possibility to develop the performance management system as per original intent. The Balanced Scorecard has grown in popularity throughout the world, and the success in the private arena was carried over to successful implementation in the public sector.

The Balanced Scorecard has emerged in response to the need of organisations to strategically align activities in the execution of strategy. This approach not only provides a tool for performance measurement, but is also useful in the setting of priorities and aligning of departmental objectives and business plans to the vision and mission of the organisation, thus combining accountable measurement with performance management in a balanced manner.

At this stage, the CoT is also investigating in the PFM document under review other appropriate methodologies to ensure full legislative compliance to improve efficiency, effectiveness and economy as per the intended introduction of performance management to ensure improvement of systems, processes and people contribution.

f) **Conducting Performance Reviews**

A municipality must review its performance management system annually in order to: identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance indicators and performance targets set by it, as well as the general key performance indicators prescribed by the Municipal Systems Act 32 OF 2000, Section 43.

- 7 General KPIs);
- review the key performance indicators set by the municipality in terms of **Local Government Management Regulations 2001** input, output, outcome indicators);
- allow the local community to participate in the review process.

Through the review process it is established whether objectives, key performance indicators, targets and projects have been achieved or where changes should be made where the municipality did not achieve on its objectives, key performance indicators, targets and projects and thereby ensures that it delivers on its service delivery and complies with legislation. The review process starts with the review of the IDP where strategies, objectives, outcomes, outputs, targets and performance indicators are reviewed. Flowing from the review of the IDP, the SDBIP and Individual Performance Plans are reviewed to ensure that the IDP is implemented on operational level and is monitored, assessed, reported, evaluated and reviewed on quarterly basis.

Performance review is a process whereby the organisation, after measuring its own performance, assesses whether it is doing the right thing by:

- Analysing the information to see whether targets have been met and whether the future targets will be realised.
- Benchmarking to compare the performance of the City with other similar cities.
- Surveys to obtain feedback from the community about their views of the performance of the municipality.

The review takes place simultaneously with the IDP review and adjustment budget phases. The CoT has to date applied all methods in assessing its performance, and is continuously seeking ways to improve assessment of its performance.

g) Reporting on Performance

Reporting requires that the municipality takes the priorities of the organisation, its performance objectives, indicators, targets, measurements and analysis, and presents this information in a simple and accessible format, relevant and useful to the specific target group, for review. The Service Delivery and Budget Implementation Plan (SDBIP) is the basis for the City's reporting. Generally four reports are submitted per annum to Council.

The following is an overview of the different kinds of reports required.

h) An overview of performance reports required by municipalities

Table 110: An overview of performance reports

Report Type	Description
Quarterly IDP and SDBIP reporting	<p>The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets set in the budget and IDP. It determines the performance agreements for the municipal manager and all top managers, whose performance can then be monitored through Section 71 monthly reports, and evaluated through the annual report process.</p> <p>The SDBIP information on revenue will be monitored and reported monthly by the municipal manager in terms of Section 71(1)(a) and (e). For example, if there is lower than anticipated revenue and an overall cash shortage in a particular month the municipality may have to revise its spending downwards to ensure that it does not borrow more than anticipated. More importantly, such information requires the municipality to take urgent remedial steps to ensure it improves on its revenue-collection capacity if the municipality wants to maintain its levels of service delivery and expenditure.</p> <p>Section 1 of the MFMA, Act 56 of 2003 states that the SDBIP as a detailed plan approved by the mayor of a municipality in terms of service delivery should make projections for each month of the revenue to be collected, by source, as well as the operational and capital expenditure, by vote. The service delivery targets and performance indicators need to be reported on quarterly (MFMA, 2003).</p>
Mid-year budget and DPLG report	<p>Section 72 of the MFMA requires the accounting officer to prepare and submit a report on the performance of the municipality during the first half of the financial year. The report must be submitted to the mayor, National Treasury as well as the relevant Provincial Treasury. As with all other reports this is a crucial report for the Council to consider mid-year performance and what adjustments should be made, if necessary.</p>
Performance report	<p>Section 46 of the Municipal Systems Act states that a municipality must prepare for each financial year, a performance report that reflects the following:</p> <ul style="list-style-type: none"> • The performance of the municipality and of each external service provided during that financial year; • A comparison of the performances referred to in the above paragraph with targets set for and performances in the previous financial year; and • Measures to be taken to improve on the performance <p>The performance report must be submitted at the end of the financial year and will be made public as part of the annual report in terms of chapter 12 of the MFMA. The publication thereof will also afford the public the opportunity to judge the performance of the municipality against the targets set in the various planning instruments.</p>
Annual report	<p>Every municipality and every municipal entity under the municipality's control is required by Section 121 to prepare an annual report for each financial year, which must include:</p> <ul style="list-style-type: none"> • the annual financial statements of the municipality or municipal entity as submitted to the Auditor-General for audit (and, if applicable, consolidated annual financial statements);

Report Type	Description
	<ul style="list-style-type: none"> • the Auditor-General's audit report on the financial statements; • an assessment by the accounting officer of any arrears on municipal taxes and service charges; • particulars of any corrective action taken or to be taken in response to issues raised in the audit reports; • any explanations that may be necessary to clarify issues in connection with the financial statements; • any information as determined by the municipality, or, in the case of a municipal entity, the entity or its parent municipality; • any recommendations of the municipality's audit committee, or, in the case of a municipal entity, the audit committee of the entity or of its parent municipality; • an assessment by the accounting officer of the municipality's performance against the measurable performance objectives for revenue collection and for each vote in the municipality's approved budget for the relevant financial year; • an assessment by the accounting officer of the municipality's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality; • the annual performance report prepared by a municipality; and • any other information as may be prescribed. <p>Section 127 prescribes the submission and tabling of annual reports. In terms of this section:</p> <ol style="list-style-type: none"> 1) The accounting officer of a municipal entity must, within six months after the end of a financial year, submit the entity's annual report for that financial year to the municipal manager of its parent municipality. 2) The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control. 3) If the mayor, for whatever reason, is unable to table in the council the annual report of the municipality, or the annual report of any municipal entity under the municipality's sole or shared control, within seven months after the end of the financial year to which the report relates, the mayor must: <ol style="list-style-type: none"> (a) submit to the council a written explanation setting out the reasons for the delay, together with any components of the annual report that are ready; and (b) submit to the council the outstanding annual report or the outstanding components of the annual report as soon as may be possible.
Oversight report	<p>The council of a municipality must consider the municipality's annual report (and that of any municipal entity under the municipality's control), and in terms of Section 129, within two months from the date of tabling of the annual report, must adopt an oversight report containing the council's comments, which must include a statement whether the council:</p> <ol style="list-style-type: none"> (a) has approved the annual report with or without reservations; (b) has rejected the annual report; or (c) has referred the annual report back for revision of those components that can be revised. <p>In terms of Section 132, the following documents must be submitted by the accounting officer to the provincial legislature within seven days after the municipal council has adopted the relevant oversight report:</p> <ol style="list-style-type: none"> (a) the annual report (or any components thereof) of each municipality and each municipal entity in the province; and (b) all oversight reports adopted on those annual reports. It is important to note that the oversight committee working with these reports should be chaired by the opposition party.

i) Individual Performance

The best type of performance management system adopts a cascading or “rolling-down” of performance objectives from top to bottom. The Department of Provincial and Local Government (DPLG) Performance Management Guidelines for Municipalities (2001)(par.5.9) states: “The performance of an organisation is integrally linked to that of staff. If employees do not perform an organisation will fail. It is therefore important to manage both at the same time. The relationship between organisational performance and employee performance starts from the review of the IDP that also correlates with the review of individuals on how well they have performed during the course of the different performance management phases.”

The Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers (2006) sets out the parameters on how the performance of Municipal Managers and their managers directly accountable to them (Section 57 Employees) will be directed, monitored and improved. Firstly, an employment contract has to be concluded between the Council and the S57 Managers on appointment and secondly, a separate Performance Agreement and Plan also has to be concluded annually.

The CoT is in the process of obtaining approval for a Performance Management Policy¹³⁴ to comply with legislation and sound performance management principles for employee performance management. The purpose of the CoT’s performance management policy for Top Management is to regulate the effective implementation of the performance management requirements for Top Management. The Policy is applicable to all managers on organisational level 1, 2 and 3. The Policy and Procedure for Top Management integrates various legislative and CoT unique management requirements.

The Policy and Procedure for Top Management revoked the following policies:

- Performance Management Policy and Procedure
- Performance Reward Scheme for Fixed-term Contract Employees
- Policy on Management of Poor Work Performance
- Policy on Non-financial Rewards for Permanent Employees
- Remuneration Policy

The expected outcome of application of the CoT’s performance management policy for Top Management is that:

- Top Management collectively will execute their obligation towards the community as expressed in the Integrated Development Plan (IDP) and annual SDBIP’s by implementing the IDP and annual SDBIP’s.
- Top Management has an understanding of how he/she can contribute towards the attainment of the Vision, Mission, Strategic Objectives, City Key Performance Areas (CKPA’s) and City Key Performance Indicators (CKPI’s) of the CoT. With this in view the policy focuses on describing in broad terms:
 - Which skills and competencies must be developed;
 - How a sound working relationship between managers and employees through the development of agreed upon KPA’s, the provision of feedback, performance counseling and coaching should be developed;
 - How employees must be actively involved in the management of their own performance in an accountable manner;
 - How the reward system must be structured
 - How poor performance must be managed and improved (this will be discussed in separate policy document).

In order to ensure that the CoT meets and deliver on its City Scorecards KPA’s and KPI’s at a high standard, it was appropriate to introduce a performance management system for the individual employees within the City that relates to the organizational performance management system.

Performance management and measurement rests on the following two pillars:

- The identification of the selected few strategic objectives/1st level strategic objectives (inclusive of the 7NKPI’s)¹³⁵ which summarises the performance of the whole organisation and which are the result of focused strategic planning.
These objectives are captured in the top-down design of the city scorecard.

¹³⁴ See footnote 115

¹³⁵ For a list of the 7 NKPI’s please refer to p 147 paragraph b.

- Individual performance measurement provides the alignment to the strategic objectives.

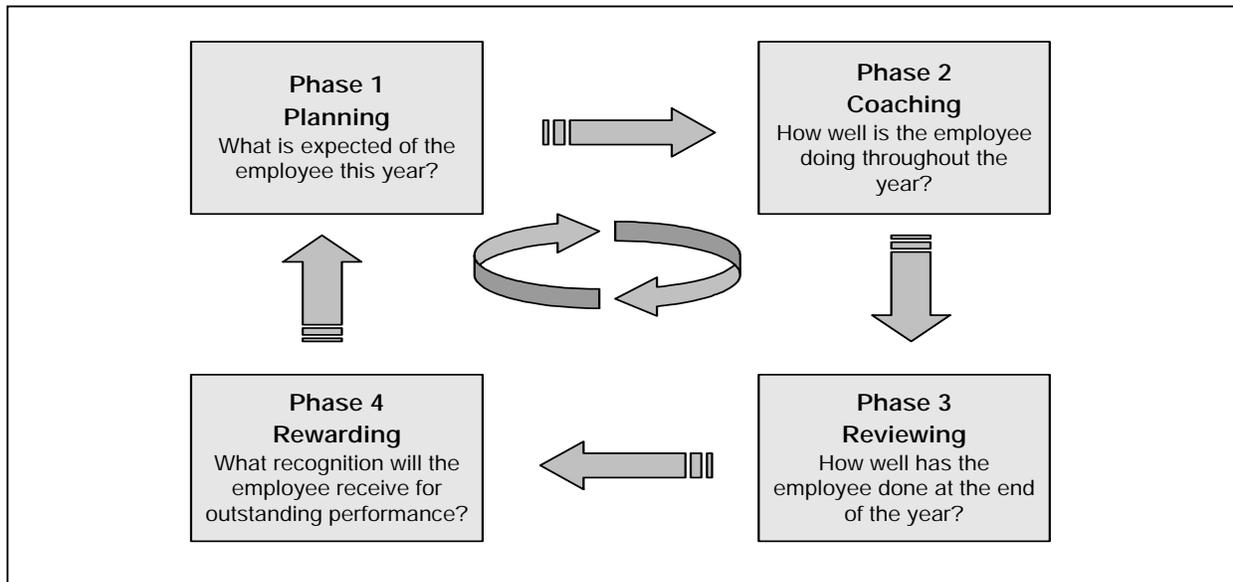
The employee performance management process within the CoT involves four key phases (see diagram “Performance cycle” below).

The first phase represents the performance agreement between the employee and the employer whilst the next two phases represent the actual performance throughout the year.

The templates to be utilised to capture the information as well as additional documents, are available as a performance pack.

Detailed guidelines for the completion of the templates are provided to employees.

Diagram 31: Performance Cycle



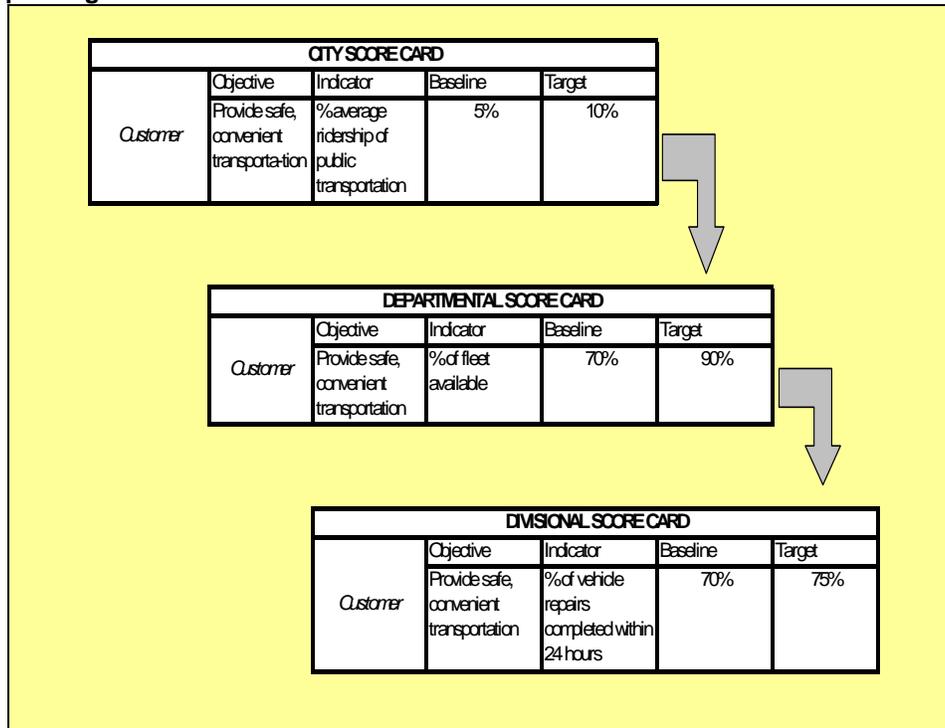
5.3.2 Phase 1 – Performance Planning

This is about jointly identifying individual performance expectations and gaining the employee’s commitment in achieving these expectations.

This also entails the identification of KPA’s and indicators, the establishment of year-end targets and the planning for the phasing in of the year-end target into quarterly targets (cumulatively and quarterly).

a) Setting of KPA’S

The identified KPA’s must be informed by the KPA’s and indicators on the next higher level (see “Unpacking of indicators” for an example hereof).

b) **Unpacking of indicators:**

In a service rendering environment, e.g. local government, KPA's, which reflect the addressed needs of the community, should be identified first and are also captured first in the score card.

Hereafter internal KPA's which support the execution of the former KPA's should be identified.

The three types of supportive internal KPA's are as follows:

- Internal business process KPA's, e.g. "To develop a single, integrated transaction process within three years with effect 01.07.2008"
- Financial KPA's, e.g. "To manage the remuneration budget down within reasonable limits within 5 years with effect 01.07.2008"
- Learning and growth KPA's, e.g. "To enhance capacity within 5 years with effect 01.07.2008"

Some generic KPA's and their concomitant indicators have been established. It is expected of managers and deputy managers to include these KPA's (and their indicators) in the individual score cards.

The employee performance management system yields a set of indicators, projects, processes and targets that at a level 1 and 2 are directly linked to the IDP, SDBIP and lower SDBIP. These become an undertaking of the employees to the institution that once again becomes the accountability mechanism to the community.

The City Scorecard is incorporated into the municipal manager's performance agreement and performance plan, as he is responsible for the implementation of the strategic intent of the organisation. The municipal manager takes relevant indicators, projects and processes to departments concerned through the City, departmental and divisional scorecards. These indicators would then become the indicators and targets of the Section 57 managers, to be incorporated in their performance agreements and performance plans. The Section 57 manager may cascade the indicators and targets to lower levels in line with the scope of responsibilities at that level.

c) **Setting of appropriate key performance indicators (KPI's)**

During the performance management process key performance indicators (KPI's) must be identified for each of the City Key Performance Areas (CKPA's).

They are statements of measurement in terms of e.g. a percentage, a number, an index or any other recognisable unit. Indicators are used to indicate whether progress is being made in achieving the CKPA's. Indicators should be measurable, simple, precise, relevant, adequate and objective.

The choice of an indicator must be guided by the availability of data for its measurement and the capacity to collect it. These indicators must be translated to the Performance Plan's of top management

The performance agreement provides for the method upon which the performance of the employee must be assessed.

The Performance Plan consists of two components and the employee must be assessed against both components. These components are the Key Performance Areas (KPA's) and the Core Competency Requirements (CCR's). KPA's covering the main areas of work will account for 80% and CCR's will account for 20% of the final assessment. The national KPA's which need to be measured and to which the CoT Objectives and KPA's subsequently need to be aligned. It is however important to note that 80% of the performance covered in the Section 57 contract (performance plan) must relate to the SDBIP of a municipality

d) Setting of measurable performance targets

Performance targets are the planned level of performance or the milestones an organisation sets for itself for each identified indicator – it is the desired level of service delivery for the current financial year or specified period.

Baseline measurements, which are the measurement of the chosen indicator at the start of the period, must be set. Baseline information defines the status quo. It is important to know how the organisation is performing at the current moment in order to determine, after a period of time, if any positive progress was made.

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 setting of targets entails a two-way communication:

- 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 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.

Planning for performance is directly related to resources; therefore performance targets can only be set once the available resources, especially the approved budgets, have been identified.

Planning for best performance is therefore directly related to the budget, IDP and SDBIP. However, constraints, risks and standards must also be taken into consideration and must be well documented in advance. The targets identified in the IDP and SDBIP must be translated to the Performance Plans of Top Management

The documented information must be taken into consideration during the reviewing phase of the performance management cycle.

e) Weightings and their allocations

CoT has adopted a weighting approach to show the relative importance of one input and/or output KPI against another input or output KPI also the different KPA's in relation to that position

Every input and/or output KPI in the performance agreement (Plan) must be assigned a weighting. The total of the weightings on the performance agreement and scorecard must add up to 100 points for respectively the output and input KPI's. The different KPA's also need to add up to a 100 points

An important KPI may, for example, be assigned a weighting of 50 out of the total of 100 whereas a less important KPI may be assigned a weighting of 15 out of 100. The same applies between the different KPA's

The purpose of the weightings is to show employees what the key focus areas are in their work.

5.3.3 Phase 2 – Performance Coaching

This is the phase of continuously tracking and improving performance, through feedback and reinforcement of key results and competencies.

This is done with a view to timeously detect performance relapses and to simultaneously introduce speedy remedial actions. A prescribed record sheet is used to record evidence and remedies.

During this phase, on a quarterly basis, the actual performance must be determined and be judged against the quarterly obligation as well as the cumulative performance as well as other standards that have been set in advance. During this phase it is also important to document any evidence proving performance.

Although actual measurements are done each quarter, formal coaching only has to be done half yearly provided the documented performance in the first and third quarter is satisfactory.

5.3.4 Phase 3 - Reviewing

This phase involves jointly reviewing actual performance against expectations at the end of the performance cycle to review and document planned vs. actual performance.

The following guidelines are applicable for conducting a performance review:

- Manager/supervisor to prepare ratings of employee's performance against key performance indicators. The rating is done by considering actual cumulative organizational achievement as well, the evidence which was documented during the coaching cycle, as well as any other relevant input¹³⁶. For an exposition of the five points scale and set criteria see the glossary of terms.
- Manager/supervisor to ask employee to prepare for formal appraisal by rating him/herself against the agreed key performance indicator.
- Manager/supervisor and employee to meet to conduct a formal performance rating with a view to conclude a final rating. The employee may request time to consider the rating. A second meeting may then be necessary. In the event of a disagreement, the manager/supervisor has the final say with regard to the final rating that is given.
- After the ratings have been agreed upon the scores are calculated.
- The manager/supervisor should make his/her own notes during the formal review meeting. All the criteria that have been specified must be taken into consideration
- Only those KPI's relevant for the review period in question should be rated according to a five point scale.
- Only after the year-end review, do the manager/supervisor and employee prepare and agree on an individual learning plan.
- The setting of new key performance areas which will link up to the CoT KPA's and the identification of the concomitant indicators for the next financial year need to be concluded by the end of June of the current year. However the identification of KPA's forthcoming from the learning plans and the setting of targets, weights and dates can only be done after the year-end review has been concluded.

The total score is determined once all the output and input KPI's have been rated and scored.

This is done with a view to establish if an employee is entitled to a notch increase or an accelerated salary progression or a non-financial award. Should an employee not be achieving the KPA's in his/her performance agreement the manager/supervisor should assist the employee by managing his/her performance more closely.

It is not appropriate that the first time an employee hears about his/her non-performance is at the formal performance review. Employees must be coached and given feedback throughout the year.

¹³⁶ At a later stage 180° and 360° reviews may be implemented, in which case manager/supervisor may request inputs from "customers" on the employee's performance throughout the review period. This may be done through discussion or by asking "customers" to complete a rating form to submit to the manager/supervisor for consideration. Customers are people who are able to comment on the employee's performance since they have worked closely with him/her on some or all aspects of his/her job.

5.3.5 Phase 4 - Rewarding

This phase establishes the link between performance and reward.

It aims to direct and reinforce effective work behaviours by determining and allocating equitable and appropriate rewards to employees.

Permanent employees will initially be awarded non-financial rewards for good performance.

Ultimately financial rewards will be determined through the National Collective Bargaining process at South African Local Government Bargaining Council (SALGBC).

The guiding principles regarding non-financial rewards are discussed in detail in the Collective Agreement on Non-Financial Rewards.

To ensure the above the following policies are under review:

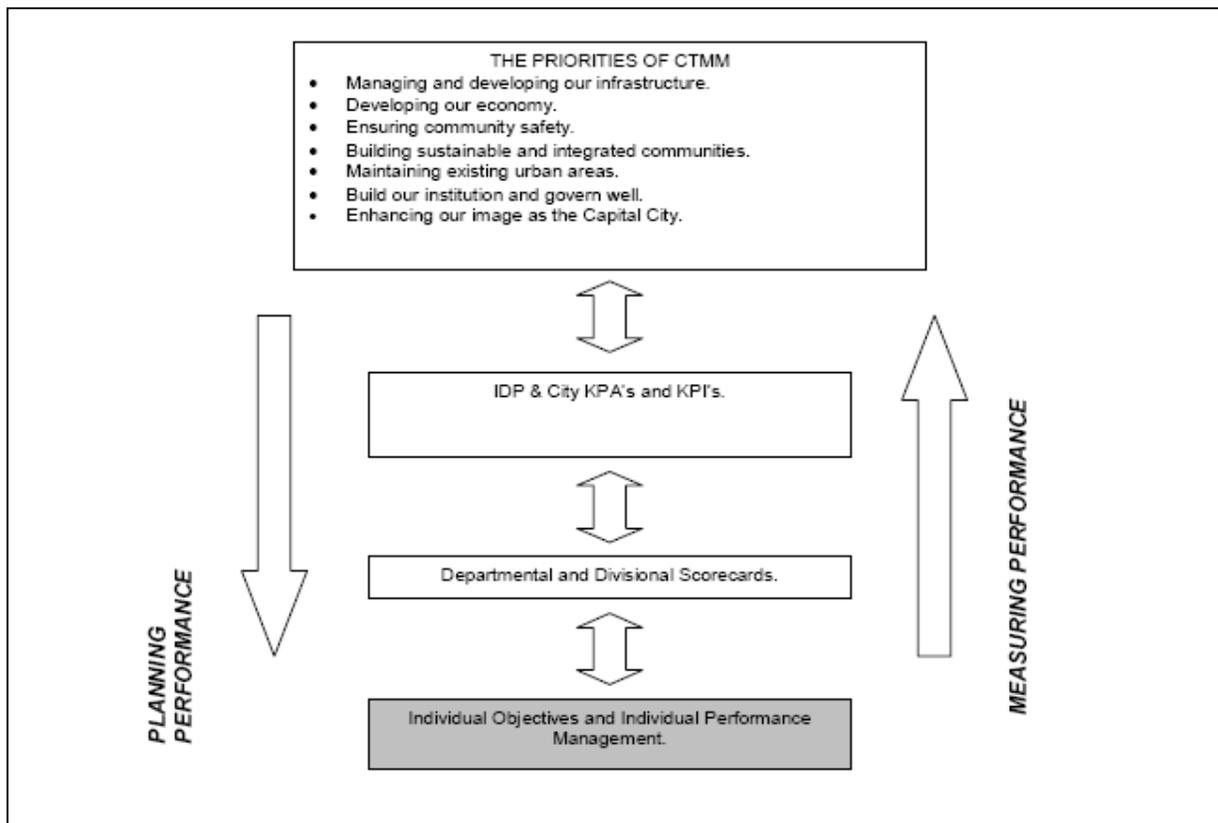
- Performance management policy and procedure
- Policy for the management of poor work performance
- Performance reward scheme
- Non-financial rewards for permanent employees;
- Remuneration policy

5.4 CHALLENGES

5.4.1 Policy Framework

The CoT acknowledges that there is a link between organisational performance management and individual performance management and illustrates it as per the diagram below:

Diagram 32: Organisational and Individual Performance Management Link



The systems and processes are however not supportive of dealing sufficiently with the management assumptions made in unpacking organisational performance into individual performance. To assist in this regard the City Manager has requested a procedure manual be developed to clearly outline organizational and employee performance management alignment.

This policy will as a point of departure update the performance management institutional processes to allow for changes in the methodology, IDP as well as new individual performance management regulations published in 2006 by the Department of Local Government in August 2006.

This document through proper consultation shall clearly identify the existing system shortcomings to ensure full integration and alignment, Outcome indicators shall be developed for the strategic scorecard and shall be a developed that it truthfully can cascade to the SDBIP through clear measurable target setting. Once this is achieved truthful monitoring, reporting and evaluation can be achieved.

The following is still being improved in planning processes:

- To determine and review the strategic initiatives and targets during the Lekgotla process
- The integration of developmental targets with core business and departmental budget
- Understanding and managing the setting of priorities for the various financial years in the MTEF and their KPI's in the context of the 5 year term of the IDP, i.e. managing the context of inputs and the underlying assumptions of the inputs will achieve through processes on the output level.
- Aligning input and output departmental indicators to outcome indicators in the IDP
- Integrated alignment between IDP, SDBIP, LSDBIP, budget and individual performance management system
- To verify and validate numerous departmental indicators and to classify in terms of different type and category
- To start to develop business intelligence out of the data
- Ownership of congregated Key Performance Indicators

There is a need to report achievement against a "fixed" target as opposed to the City's administrative reality of moving targets – this is best explained against an indicator such as % of households with access to basic or higher levels of service (NKPI). The households in a city are not static and are continually increasing – therefore within a restricted resource allocation towards service delivery, it might look as if eradication of service delivery backlogs is slow – however the backlog might be growing as a result of unplanned for growth due to migration etc. When the number of households is annually increased as per growth figures, it creates tension on the reporting side.

Targets are set in line with the established need in departmental business plans, which are to be included in the IDP. When the budget is finalised, however, the resource requests are not granted due to budgetary constraints – the impact of this is that sometimes the targets are not changed in the IDP.

The CoT's performance management policy under review makes provision for the review of organizational and individual performance.

The municipality has a number of challenges in developing a monitoring framework:

- The current system does not allow for the non-financial planning of initiatives – i.e. for developmental initiatives e.g. improving community skills, or focusing on target groups such as the youth or women
- There are no city level databases of all women, or youth or disabled
- The monitoring has to include ability to report on not only the city's priorities but also on National KPI's or provincial indicators. This becomes challenging when the City has a priority to support people receiving an income of R1700 or less as indigents whereas the national regulations make provision for R1100 – and reporting on the people that the City is supporting is therefore narrower than required.

5.5 CONCLUSION

Performance management is a process which stretches right through the organisation, from its vision and mission statement, to its objectives and eventually its staff. It applies to the performance of an organisation as well as to all persons related to it. Within the South African Municipal environment this also includes the political figures who are responsible for that organisation. As indicated earlier, the *White Paper on Local Government* (1997) states that key mechanisms to ensuring service excellence in municipalities include

integrated development planning, performance management and community participation. As a start there are things that a municipality simply must do.

It must:

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

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

In light of the above, the CoT is well underway to following the intent and requirements of legislation and will soon conclude a comprehensive approach on how the system can fulfil obligations to the fullest extent intended by law.