" The City of Heritage "

ULUNDI MUNICIPALITY

ORGANISATIONAL PERFORMANCE MANAGEMENT

SYSTEM POLICY FRAMEWORK

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1.   Introduction

The purpose of this document is to, according to the requirements of the Municipal Systems Act, (2000) develop a performance management framework for the Ulundi Local Municipality. This framework caters for the development, implementation and roll-out of performance management with the Ulundi Local Municipality. This includes the alignment of the PMS process to that of the IDP and budget as is required in terms of the Municipal Finance Management Act (2003).

The purpose of this policy is also to review and respond to the requirements of Chapter 6, section 38 (a) of the Municipal Systems Act 2000, which requires a municipality to establish a performance management system (PMS) that is:

- Commensurate with its resources;
- Best suited to its circumstance and;
- In line with the priorities, indicators and targets contained in its integrated development plan (IDP)

2.   Legal context for Performance Management System

Policy and Legal Context for PMS:

- The White Paper on Local Government (1998)
- Batho Pele (1998)
- The Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000
- The Local Government: Municipal Systems Act, (32/2000): Municipal Planning and Performance Management Regulations (2001), Chapter 3, by the Department Cooperative Governance.
- Guide on Performance Agreements Workshop, 2001, by the South African Local Government Associations (referred to as SALGA Guidelines in short)
- DPLG, 2001, PMS Training Manuals (referred to as PMS Training Manuals in short)
- Municipal Finance Management Act (2003)
- Municipal Performance Management Regulations (2006)

3.   Objectives of Performance Management System

The objectives of institutionalizing performance management are beyond the legislative compliance requirements. The general objectives of managing performance are to:

- Facilitate increased accountability;
- Facilitate learning and improvement;

- Provide early warning signals and;
- Facilitate decision-making.

The objectives are also for the performance management system to serve as a primary mechanism to monitor, review and improve the implementation of the Ulundi Local Municipality's Integrated Development Plan. Performance management is viewed as a tool that will improve the overall performance of the municipality. Adopting a performance management system is beneficial in that it identifies major or systematic blockages, timeously, ensures accountability between residents, the political leadership and the administration of the municipality, and the system provides early warning signals so that corrective action can be taken on a regular basis.

4. Organizational Performance Management Process

The Municipal Systems Act (2000) places the responsibility on the Council to adopt a PMS, while holding The Mayor responsible for the development and management of the system. The Mayor of Ulundi Local Municipality delegates the responsibility for the development and management of the PMS to the Municipal Manager. The development of the system is a once-off activity and the Municipal Manager submits the system to The Mayor through the Executive Committee, who in turn forwards it to the full council for approval. The responsibility of implementation and management of the system remains with the Municipal Manager as part of his/her core functions as provided in Section 55(1) of the Municipal Systems Act of 2000.

4.1 Co-ordination

Co-ordination involves the overall responsibility of and carrying out the function of and being the custodian of Ulundi Local Municipality's performance management system and managing the system on behalf of the Municipal Manager. This is a strategic function which resides in the Office of the Municipal Manager.

The co-ordination of the implementation phases of the PMS will be the function of the PMS Unit which will be responsible for the following core activities:

- Responsible for the co-ordination of the development and implementation activities of the organizational PMS, through interaction with all relevant stakeholders.
- Ensuring and overseeing the implementation of this Performance Policy Framework and compliance to all performance legislative requirements in respect of the implementation of PMS.
- Facilitating inputs for the review and further development and refinement of the PMS.
- Providing regular support and capacity to the different departments in developing departmental scorecards.
- Continuously providing technical support to the Municipal Manager and the executive management team with implementation, assessment, review, monitoring, and information management.

- Providing capacity for analyzing organizational performance information submitted by Executive Managers on a quarterly, mid-term and annual basis in preparation for reporting.
- Responsible for co-ordination and compiling the annual Section 46 performance report.
- Ensuring that all quarterly, mid-term and annual organizational performance reports are submitted to all stakeholders timeously, for example, quarterly reports to Mayor; mid-term report to council and annual performance reports to Auditor General, MEC and the public.
- Work closely with the IDP and Audit Offices to co-ordinate performance activities; and
- Co-ordinate capacity building activities on municipal performance management for all stakeholders.

4.2   Implementing the Performance Management System

Ulundi Local Municipality has identified the preferred performance model to be the Key Performance Areas, and having agreed to measure its performance against the 6 key performance areas, The PMS implementation and management process will be carried out within the following phases:

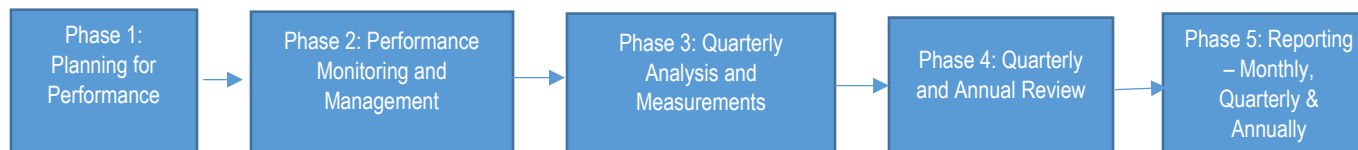**Phase 1: Planning for Performance**

Phase 2: Performance Monitoring and Managing Performance Information

Phase 3: Performance Measurement and Analysis

Phase 4: Performance Review and Improvement

Phase 5: Performance Reporting

Each phase is outlined in detail, and this includes the actual step-by-step guide on what each phase entails and how each one will evolve. Templates that will be used in each phase are illustrated figuratively in the document. The cycle of performance that will be adopted is shown in the figure below.

| Phase 1: Planning for Performance | → | Phase 2: Performance Monitoring and Management | → | Phase 3: Quarterly Analysis and Measurements | → | Phase 4: Quarterly and Annual Review | → | Phase 5: Reporting – Monthly, Quarterly & Annually |

Phase 1: Planning for Performance

Planning for performance simply means developing and reviewing the IDP annually in preparation for continuous implementation. Municipal performance planning is part of the IDP strategic planning processes. The IDP process and the performance management process are seamlessly integrated. Integrated development planning fulfils the planning phase of performance management. Performance management fulfils the implementation management, monitoring, and evaluation of the IDP process. The performance planning process will be conducted in the following stages and/or steps:

Step 1:

Integrated Development Planning, Priority Setting, Identifying Key Performance Areas, Setting Objectives and Developing Key Performance Indicators and Performance Targets.

During the planning phase, the municipality will cluster its development priorities in the IDP under the following 6 Key Performance Areas (KPA's), inclusive of the Spatial Planning and Environmental Management KPA From CoGTA which has been adopted by Ulundi Local Municipality as it its responsibility:

- Basic Service Delivery.
- Local Economic Development.
- Municipal Transformation and Organizational Development.
- Good Governance and Public Participation.
- Municipal Financial Viability and Management.
- Spatial Planning and Environmental Development.

The IDP planning process will result in the formation of the above key performance areas (KPA's) and Strategic Focus Areas will be identified within each KPA. Objectives will be developed for each KPA and Strategic Focus Areas, together with Key Performance Indicators and performance targets. These elements will then inform the development of the organizational scorecard, the SDBIP, which will in turn inform the development of departmental scorecards.

Every year the above elements will be reviewed within the period of July and March which occurs simultaneously with the implementation of the IDP.

The Ulundi Local Municipality's Organizational Scorecard will be within the following parameters:

IDP Alignment	Project Number	KPA	Objective	Strategy	Performance Indicator	Unit of Measure	Demand	Baseline	Backlog	Annual Target	Q1	Q2	Q3	Q4	Responsible Department

The organizational scorecard will inform departmental scorecards. These in turn will inform the individual scorecards for the Section 54/56 Managers. Drafting of these scorecards should happen simultaneously with the other documents and submitted to the Mayor for approval.

Step 2:

Approval, adoption and publicizing of the Service Delivery and Budget Implementation Plan upon approval of all the strategic documents, the Mayor and the Municipal Manager must sign the Municipal Manager's Performance Agreement by 31 July of every year. The Municipal Manager must do the same and sign Performance Agreements with all the Managers directly accountable to him before 31 July of every year.

The SDBIP process is illustrated in the figure below:
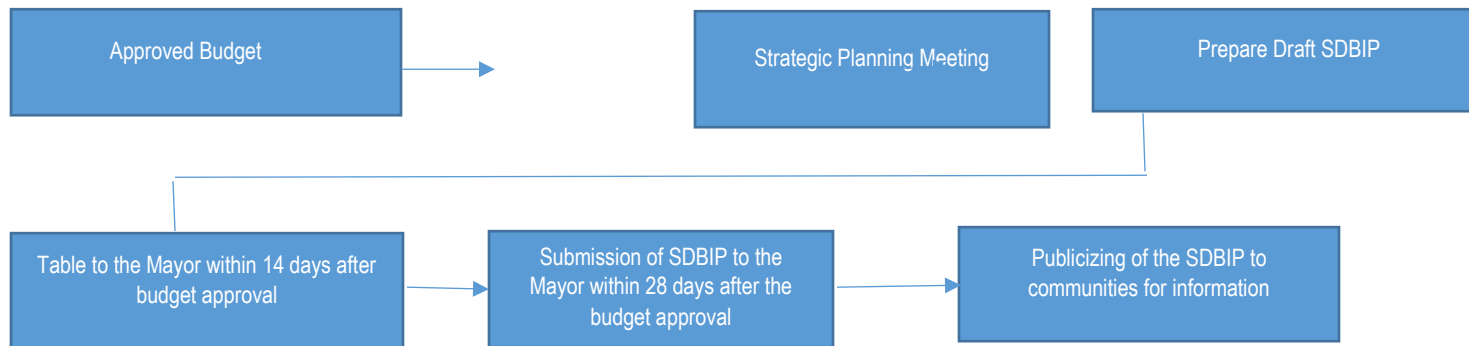
The Mayor will also publicize the SDBIP, the Organizational Scorecard and the Municipal Manager and all Senior Manager's Performance Agreements as per the provisions of Section 53(3) of the Municipal Finance Management Act. The Ulundi Local Municipality will use the following publicity platforms to publicize openly and widely share the information with communities, stakeholders, and employees:

- Public notice boards;
- Local Newspapers;

- Municipal website and;
- Submission copies of the SDBIP, the Organizational Scorecard and the performance agreements of all the Section 54/56 Managers to the MEC for Local Government in the Kwa-Zulu Natal province by the Mayor.

Phase 2: Performance Monitoring and Managing Performance Information

Monitoring of performance will be an ongoing process throughout the year and will run parallel to the implementation of the IDP. Monitoring will be conducted within each department. Ulundi Local Municipality will use a paper-based and report-based monitoring mechanism. Different role players are allocated tasks to monitor and gather information that would assist the municipality to detect early indications of under-performance and take corrective measures on time. Information management plays a central role during this phase. The Ulundi Local Municipality's monitoring system places responsibility on each Department, Division/Section, and Individual employee to collect reliable and relevant data and information to support the monitoring process. Evidence of performance will be gathered, stored by each department, and presented to substantiate claims of meeting (or not meeting) performance standards. This evidence is stored on files (manual filing). The Heads of the Departments will allocate responsibility in their offices for information management, as these performance information files must be separate from normal registry filing. The performance information will be filed according to departmental key performance areas and key performance indicators. These files will be regarded as portfolio of evidence kept for purposes of performance measurement, performance review and audit in the other phases.

Monitoring of performance role-players

Stakeholders / role-players	Monitoring measurement and analysis
Council	Performance reports will be submitted to the council twice a year. A mid-term report and an annual performance report are the two reports that will be submitted to council
Portfolio Committees	These committees will monitor performance of their respective services against departmental scorecards. They will receive reports monthly and must appraise themselves on progress on performance of their service areas against set targets. Where targets are not being met, the Committees should ensure that the reasons for poor performance are satisfactory and sufficient to address whatever delays, and corrective strategies are sufficient to address the poor performance.
The Mayor	The Municipal Manager will submit quarterly progress reports on all the indicators in the organizational scorecard to the Mayor in order for him/her to monitor if targets are being achieved and where they are not, that proper corrective strategies are put in place to keep to the timelines set for achieving each indicator and targets.

Municipal Manager and Heads of Departments	The departments will receive progress reports on progress into the implementation of their departmental scorecards from section managers monthly. The monthly reports are discussed at the Management meetings.
Line/ Functional or Unit Managers	The management team discusses departmental performance progress monthly and need to reflect on whether targets are being met, reflect on the reasons being provided by departments for targets not being met and suggest corrective action. The purpose for a performance-driven management team is to instill a culture of collective management and eliminate the silo mentality.
Evaluation Panel	Half-yearly evaluates the implementation of the SDBIP, and Finalization of the relevant performance scores for bonus payments
Audit Committee	Quarterly reports will be submitted to the Audit Committee to be considered with the quarterly internal audit reports on performance information.
Internal Audit	Quarterly evaluations and review of performance measurements and issue quarterly reports to performance committee.
Administration Officers / Appointed officials	The Admin Officers in each department has a responsibility for managing indicator information files as per Ulundi Local Municipality monitoring system. They are also responsible for collating this information in preparation for submission of performance reports to Heads of Departments by section managers. This responsibility must be carried out monthly.

Phase 3: Performance Measurement and Analysis

Performance Measurement is essentially the process of analyzing the data provided by the above Performance Monitoring System to assess performance. At organizational level, Performance Measurement is formally executed on a monthly and quarterly basis, whilst Performance Measurement at individual level is done quarterly.

The organizational scorecard will be used as an implementation tool by the Ulundi Local Municipality to record and measure whether the intended results has been achieved / not achieved and the extent to which the job holder has produced that result. This will be the basis for generating feedback information for use not only by managers but also by individuals to monitor their own performance.

Phase 4: Performance Review and Improvement

Performance review is a process where the municipality, after measuring its own performance as detailed in the previous phase, assesses whether it is giving effect to the IDP. It is a phase where it will assess whether it is doing the right thing, doing it right and better, or not. Performance reviews will be conducted through the municipality's scorecard model by assessing performance against the 6 Key Performance Areas (KPA's), indicators, and targets. Ulundi Local Municipality organizational and individual performance will be rated as follows:

ORGANISATIONAL AND INDIVIDUAL PERFORMANCE ASSESSMENTS			
Rating Keys		KPI's	
		Number	%
1	Unacceptable Performance		
2	Performance not fully effective		
3	Fully effective		
4	Performance significantly above expectation		
5	Outstanding Performance		
	Total		**100%**

Responsibility to conduct Ulundi Local Municipality reviews:

Stakeholders / Role-players	Review of Performance
Council	All reports approved by Executive Committee quarterly and annually are submitted for noting to Council.
Portfolio Committees	These committees manage the performance of departments and functions respective to their portfolios. To build the role played by Committees, while ensuring that their role remains strategic and not operational, it is recommended that they review performance as often as quarterly. However, the committees can only approve deviations on targets related to their service areas, after receiving recommendations from the management team.
The Mayor	The Performance Management System of Ulundi Local Municipality is designed in such a way that it allows the Mayor with his executive committee to strategically drive and manage performance in the organization. Reviews at this level will remain strategic so that the Mayor is not restrained by operational discussions. For this review to be strategic it is recommended that the Mayor with his EXCO review performance quarterly, with the second quarter report taking the form of a midterm review, as provided for by Section 72 of the MFMA and the final quarterly review taking the form of an annual review. The content of the review should be confined to the adopted 6 key performance areas (KPA's) and objectives. The Municipal Manager will remain accountable for reporting on performance at this level.
Municipal Manager and Head of Departments	These managers review performance of their respective areas monthly, as they are monitoring, analyzing and measuring performance as against their departmental scorecards. The review will cover all organizational key performance areas and indicators with respect to their functional areas and any deviations from original targets can be recommended to their

	respective senior managers and can be authorized if it is not organizational or departmental targets
Line Function of Unit Managers	Supervisors will review the performance of employees reporting directly to them. These reviews will be conducted on a quarterly basis and any deviations can be recommended by the supervisor to their section managers, only if they affect indicators and targets that are at their levels, not organizational or departmental indicators.
Evaluation Panel	Half yearly evaluate the implementation of the SDBIP, and finalization of the relevant performance scores for bonus payments
Audit Committee	For the Audit Committee to fulfil its advisory role to Council, it is necessary that the Audit Committee reviews the effectiveness of the PMS at least bi-annually. Any recommendations for the review of the PMS must be considered by the Executive Committee and Council.
Internal Audit	Quarterly evaluations and review of performance measurements and issue quarterly reports to performance committee.
The Public	The public will be involved in reviewing municipal performance at least annually, in the form of the report. While good and excellent performance must also be constantly improved to meet the needs of citizens and improve their quality of life, it is poor performance that needs to be improved as a priority. Poor performance may arise out of one or more of the following: • Poor systems and processes • Inappropriate departmental and organizational structures • Lack of skills and capacity • Inappropriate organizational culture • Absence of an appropriate strategy and departmental business plans that lay the foundation for optimum performance.

Improving Performance

To improve performance, the Ulundi Local Municipality, throughout the performance management phases, will analyze the causal and contributory reasons for poor performance, through coaching sessions from top to lower levels of administration and appropriate response strategies will be developed. These will include inter alia:

• Restructuring as a possible solution for inappropriate structure;
• Process and systems improvement strategies to remedy poor systems and processes;
• Training and sourcing additional capacity where skills and capacity shortages are identified;

- Change management and diversity management education programmes to address organizational culture;
- Review of the IDP where councilors will address shortcomings in the strategy;
- Development of appropriate departmental operational plans to guide performance in each department; and
- Where results show no chance of improvement through internal measures, alternative service delivery mechanisms shall be considered.

Phase 5: Performance Reporting

Reporting requires that the municipality take its key performance areas, its performance objectives, indicators, targets, measurements, and analysis, and present this information in a simple and accessible format, relevant and useful to the different stakeholders for review.

The main feature of the reporting phase is the production of the annual report. This is a consolidated report that reflects results on performance on each of the 6 perspectives as per the adopted model. The main report will be informed by the information gathered through the scorecards throughout the year and on performance report will be compiled as per the requirements of Section 46 of the Municipal Systems Act. Since Ulundi Local Municipality adopted the Key Performance Area Model, its annual report will reflect its performance results clustered as per the following Key Performance Areas:

Basic Service Delivery	The municipality will reflect its annual performance achievements in the overall delivery of basic and infrastructural services
Local Economic Development	The municipality will reflect its annual performance achievements in the in this key performance area
Municipal Transformation and Institutional Development	The municipality will report on indicators that measure the functioning of the municipality under areas such as human resources, strategic planning (IDP) and implementation.
Good Governance and Public Participation	The municipality will report on achievements related to its processes under areas such as engagements with its stakeholders in the process of governance.
Financial Viability and Management	The municipality will report on the municipality's performance on the management of finances.
Spatial Planning and Environmental Development	The municipality will reflect its annual performance achievements in the in this key performance area

The table below depicts the reporting process of Ulundi Local Municipality:

REPORT	FREQUENCY	SUBMISSION TO	LEGISLATION
SDBIP's	Quarterly	Executive Committee	MFMA Circular 13 of National Treasury
Monthly budget statements	Monthly	Mayor (in consultation with EXCO)	Section 71 and 54 of the MFMA
SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with EXCO) Mayor (EXCO)	Section 72 and 54 of the MFMA
Performance Report	Annually	Council	MFMA
Annual Report	Annually	Council	Section 46 of the MSA Chapter 12 of the MFMA
Evaluation	2 verbally (1st and 3rd Quarter) 2 Formal (mid-year and annually)	Evaluation Committee	Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006

Tracking and Managing the Reporting Process

To ensure that the reporting processes run smoothly and effectively, the PMS Unit in the Office of the Municipal Manager will co-ordinate all activities related to efficient reporting. The functions of the Unit in this instance include the following:

- Developing a process plan or timetable for all reporting processes for the year;
- Prepare logistics for reporting;
- Improve the reporting format, should there be a necessity to do so;
- Track and monitor reporting processes;
- Control the quality of reports going to reviews at political levels in terms of alignment with the adopted reporting format;
- Analyze departmental performance reports;
- Compile quarterly organizational performance reports and annual reports; and
- Review the reporting process and suggest improvements.

Publication of performance Reports

The annual performance report is required by legislation to be availed to the public. Ulundi Local Municipality, will, however, within its resources and capacity, keep the communities more frequently informed of performance information through:

- Publication of reports in the municipal website
- Available for public viewing at municipal offices for comments/inputs.

Auditing of Performance Information

For the performance management system to enjoy credibility and legitimacy from the public and other stakeholders, performance reports must be audited. Audits should ensure that reported performance information is accurate, valid, and reliable.

In terms of the provisions of the Municipal Systems Act and Performance Regulations of 2001, the annual performance report must be audited internally, and before being tabled and made public, the annual performance report will also be audited by the Auditor-General. It is therefore important to allow sufficient time between completion of annual reports and the tabling of the annual report for auditing.

After being reviewed by Council, the annual report must be submitted to the Auditor-General before 31 August of every year, for auditing and be submitted to the MEC for local government in the province to the MEC to complete an annual report of performance of all municipalities in the province, identify poor performing municipalities and propose remedial action and submit the provincial report to the national minister. The national minister will then present a consolidated report to parliament.

Internal auditing

The Regulations provides that the internal audit activity must include assessments of the following:

- The functionality of the municipality's performance management system;
- Whether the performance management system complies with the relevant provisions of the Municipal Systems Act, 2000;
- The extent to which the municipality's performance measurements are reliable in measuring performance;
- On a continuous basis, audit the performance measurements of the municipality
- Submit quarterly reports on the audits to the Municipal Manager and the Performance Audit Committee.

External Auditing

The results of performance measurements of the Municipality must and will be audited annually by Auditor-General.

Audit & Performance Committee

The regulations further provide for the creation of Audit & Performance Committee:

- The municipality must appoint and budget for the Audit & Performance Committee of at least three members, the majority of which cannot be a councillor or an official of the municipality;
- Any external member of the committee may be remunerated in line with tariffs determined by the South African Institute of Chartered Accountants;
- A municipality must provide secretariat services for its audit committee;
- The Audit and Performance Committee must meet at least twice during the financial year, but a special meeting may be called by any member of the committee.

The roles and responsibilities of the Audit & Performance Committee

- Review the quarterly report submitted to it by Internal Audit Unit;
- Review the municipality's performance management system and make recommendations in the regard to council of that municipality.
- In its review of the system, focus on economy, efficiency, effectiveness, and impact of the KPIs and targets set; and
- Submit an audit report to council twice during the year.

In order to fulfil their functions, a Performance Audit Committee may:-

- Communicate directly with Council, Municipal Manger or Internal Auditors of the municipality;
- 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 meeting, and if necessary to provide information needed by the committee; and
- Investigate any matters it deems necessary for the performance of its duties and the exercise of its powers.

The composition of the Audit and Performance Committee should ensure that the following competencies are sufficiently catered for within the group:

- Expertise in performance management;
- Expertise in finance;
- An understanding of development planning; and
- Credibility with all communities and organs of civil society within the municipality.

5. Developing the Organizational Scorecard & Outlining the Scorecard Concepts

When developing the scorecard, it should include all relevant areas or concepts that will allow measurement of the performance of the organization. Concepts such as national key performance areas, development objectives, strategies, and key performance indicators.

This is done using relevant concepts to populate the organizational and departmental scorecards of Ulundi Local Municipality. This process will be followed each year after adoption of the IDP and the budget and after evaluation of the previous year municipal performance. An illustration of some of the components of an organizational scorecard is reflected below:

ULUNDI MUNICIPALITY'S ORGANISATIONAL SCORECARD

IDP Alignment	Project Number	KPA	Objective	Strategy	Performance Indicator	Unit of Measure	Demand	Baseline	Backlog	Annual Target	Q1	Q2	Q3	Q4	Responsible Department

6. Reporting

6.1 Reporting lines and frequency of reporting

It is important to clarify roles and responsibilities of employees and stakeholders in the performance management cycle. The roles and responsibilities of the main role players in different phases of the performance management cycle are as depicted below:

Role Players	Performance Planning		Performance Review	Performance Reporting	Performance Audit
Municipal Council	• Adopt priorities and objectives of the IDP • Adopt OPMS; • Adopt the organizational scorecard with key performance indicators and performance targets; • Assigns responsibility for management of PMS to the Mayor		• Approves the annual review programme of the IDP, including the review of KPI's and performance targets; • Approves changes to the priorities, objectives, key performance indicators and performance targets of the municipality	• Report the municipality's performance to the community; • Approve recommendations for the improvement of the performance management system; • Annually receive the appraisal of Section 54/56 managers; • Submit the annual report to the Auditor-General and the MEC	• Receive performance reports from the Audit Committee; • Approve the implementation of the recommendations of the Audit and Performance Committee; • Receive the performance audit report from the Auditor-General.

Role-player	Planning	Implementing	Review	Reporting	Performance Audit
Municipal Manager	• Coordinate the process of needs identification and prioritization among all stakeholders, including the community;	• Manage the overall implementation of the IDP; Ensure that all role players implement the provisions of the PMS framework;	• Formulate the annual review programme of the IDP, including the review of KPIs and performance targets for consideration by Council • Formulate the annual performance improvement measures of the	• Receive quarterly performance reports from the Internal Audit Activity; • Receive performance reports twice a year from the Performance Audit Committee; • Receive monthly departmental	• Participate in the formulation of the response to the recommendation of Internal Audit Activity and the Performance Audit Committee; Participate in the formulation of the response to performance audit report of the Auditor-General and recommend to Council.

	• Coordinate the formulation and revision of the PMS framework; • Coordinate the formulation and revision of the municipal strategic scorecard that includes KPIs and performance targets; • Leads the process of the formulation and revision of departmental scorecards and departments annul programmes • Enters into performance e agreement with section 54/56 managers on behalf of Council.	• Ensure that the departmental scorecards and departmental annual programmes serve the strategic scorecard of the municipality; • Ensure that annual programmes are implemented according to the targets and timeframes agreed to. • Implement performance improvement measures approved by Council • Ensure that performance objectives in the section 54/56 manager's performance agreements are achieved.	municipality as part of the new municipal strategic scorecard; • Quarterly review the performance of departments to improve the economy, efficiency and effectiveness of the municipality; • Quarterly and annually evaluate the performance of section 54/56 managers.	• Performance reports; Report quarterly to Council on the performance of departments; • Report on the implementation of improvement measures adopted by Council; • Annually report on the performance of section 54/56 managers; • Submit the municipal annual report to the Mayor.	

Role-player	Planning	Implementing	Review	Reporting	Performance Audit
Heads of Departments	• Participate in the formulation and revision of the municipal strategic scorecard that includes KPIs and performance targets in consultation with the relevant Portfolio holder; • Develop departmental scorecards; • Develop departmental annual plans; • Manage performance of subordinate staff; • Enter into a performance agreement with the Municipal Manager.	• Manage the implementation of departmental scorecard; • Ensure that annual programmes are implemented according to the targets and timeframes agreed to; • Implement measures approved by Council; • Manage the implementation of subordinate's performance measurement system; • Ensure that performance objectives in the performance agreements are achieved.	• Participate in the formulation of the annual review programme of the IDP, including the review of KPIs and performance targets for consideration by Council; • Quarterly review the performance of the department to improve the economy, efficiency and effectiveness of the municipality; • Quarterly and annually evaluate the performance of the department.	• Submit monthly departmental performance reports; • Report on the implementation of improvement measures adopted by Council; • Annually reports on the performance of the department.	• Participate in the formulation of the response to the recommendation of Internal Audit Activity and the Performance Audit Committee; • Participate in the formulation of the response to performance audit report of the Auditor-General and recommend to Council

Role-player	Planning	Implementation	Review	Reporting	
Municipal Officials	• Participate in the development of departmental scorecards;	• Execute individual work plans	• Participate in the review of departmental scorecards • Participate in the review of own performance	• Report to Line Manager	

Role-player	Planning	Implementation	Review	Reporting
Internal Audit Unit	• Participate in the formulation of the annual audit plan		• Measure the performance of departments according to KPIs and performance targets set in the organizational scorecard; • Assess the functionality of the Performance Management System • Ensure that the system complies with relevant legislation; • Audit the performance measurements in the organizational scorecard and departmental scorecard.	• Submit quarterly reports to the Municipal Manager • Submit quarterly reports to the Audit and Performance Committee.
Audit and Performance Committee	Make inputs and recommendations on the annual audit plan.		• Review quarterly reports from Internal Audit Unit.	• Reports at least twice to Council.

7. Employee Performance Management

7.1 Legal Framework that Governs Employee Performance Management

In local government, municipal employees now fall into two broad categories: namely, the employees who are governed by Section 54/56 of the Municipal Systems Act and enter time-specified employment contracts with the municipality, and those that are employed on permanent basis and are governed by the provisions of the Local Government Bargaining Council.

The local government legislation has provided guidance on managing and rewarding performance of Section 54/56 Manager, i.e. the Municipal Manager and all Managers directly accountable to him/her. The performance Management Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers of 2011 makes special provisions for employment and managing performance of these employees. The pertinent provisions will be outlined briefly below.

Section 54/56 managers must enter into an employment contract with the municipality on assumption of duties and the regulations give a detailed guide on the elements of an employment contract; Performance Agreements which must be signed on each financial year or part thereof; A new performance agreement must be concluded within one month after the commencement of the new financial year, i.e. 31 July of every year; A Personal Development Plan must be documented at the end of the performance review and form part of the performance agreement;

Their performance must be assessed against two components:

- Key Performance Areas (KPA's) at (80%) and Leading and Core Competencies (LCC's) at (20%)
- A 5-point rating scale should be provided for each Key Performance Indicator in the employee's scorecard.

- The municipality must establish Evaluation Committees who must meet annually to evaluate the performance of the Municipal Manager and the managers directly accountable to the Municipal Manager;
- The Municipal Manager's annual performance must be evaluated by the Mayor, Chairperson of the Audit & Performance Committee, Mayor and/or Municipal Manager from another municipality and a Member of the Ward Committee nominated by the Mayor;
- Managers directly accountable to the Municipal Manager must be rated by the Municipal Manager, Chairperson of the Performance Audit Committee, and a Municipal Manager from another municipality.

A performance bonus ranging from a minimum of 5% - 14% maximum of the all-inclusive remuneration package must be paid as follows:

- A score of 130 – 149% is awarded a bonus from 5 – 9%;
- A score of 150% and above is awarded a bonus from 10 – 14%

Rewarding of Performance for Section 54/56 employees must be done after the adoption of the Annual Report. As can be seen from the above provisions, the Section 54/56 employees in Ulundi Local Municipality will align with the above regulations and their performance will be measured through their performance plans/scorecards. The same organizational scorecard will be cascaded to the employee scorecard, and these will form part of their performance agreements. It is the intention of this policy framework to formally and gradually on a yearly basis incorporate the permanent employees into the overall performance management system of the municipality. This will be done commencing with a level below that of a Head of Department up to the level of a Divisional Head within a Department. This will translate to all employees mentioned above until Council resolves otherwise. These employees will develop annual scorecards that are aligned to their functional areas or responsibility and thereafter sign these scorecards with their respective supervisors. The formats of all scorecards and reporting formats will be similar for all employees to create uniformity and consistency in monitoring performance on both employee and organizational KPIs and performance targets. The phases of managing individual performance are outlined below:

7.2   Aligning Individual Performance of the Organization

Performance Management System

The performance of an organization is integrally linked to that of staff. If employees do not perform an organization will fail. It is therefore important to manage both the organizational and individual performance at the same time. The relationship between organizational performance and employee performance starts from planning, implementing, monitoring and review. All the 5 phases in organizational performance apply to the management of individual performance. The monitoring system using monthly, quarterly reports is informed by individual activities at sectional and departmental levels. However, individual performance reviews differ from organizational reviews. Each phase will be discussed briefly below.

7.2.1 Phase 1: Planning for Employee Performance

The IDP yields a set of indicators and targets. These become an undertaking of the municipality to the community. The IDP informs the development of the SDBIP and organizational scorecard. The components of the organizational scorecard will be cascaded to the Municipal Managers performance scorecard and performance agreements as he/she is responsible for the implementation of the IDP. The Municipal Manager will then extract relevant indicators to inform scorecards of the different Departments. These indicators would then become the indicators and targets of Heads of Departments to be incorporated in their performance scorecards and agreements. The Heads of Departments will in turn cascade the indicators and targets to lower levels in line with the scope of responsibility and that level. Therefore, this policy framework establishes a system of individual performance management linked to the organizational performance through the scorecard model.

7.2.1.1 Effective Weighting and Rating on Employee Scorecards

Ulundi Local Municipality will adopt a weighting approach to show the relative importance of one key performance indicator against another indicator. Every key performance indicator in an employee's scorecard/plan will be assigned a weighting. The Total of weightings on the performance scorecard must add up to 100%. An important indicator may, for an example, be assigned a weighting of 50 out of the total of 100 whereas a less important KPI may be assigned a weighting of a 15 out of 100. The purpose of the weightings is to show employees what the key focus areas are in their work.

The weighting of 80% will be allocated to KPA related indicators and 20% of weighting will be allocated to (Leading and Core Competencies) LCC-related indicators.

The five-point rating will apply in evaluation process of all employee performance. The 2006 Performance Regulations sets out the rating as shown below:

Level	Terminology	Description	Rating Dashboard
5	Outstanding Performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.	**GOLD**
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others.	**PINK**

3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.	**GREEN**
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.	**YELLOW**
1	Unacceptable Performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all 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.	**RED**

ORGANISATIONAL AND INDIVIDUAL PERFORMANCE ASSESSMENTS			
Rating Keys		**KPI's**	
		Number	%
1	Not Achieved		
2	Partially Achieved		
3	Fully Achieved		
4	Excellent Achievement		
5	Outstanding Achievement		
	Total		**100%**

The outcome of the planning phase in the individual performance management will result in all employees having signed scorecards at the beginning of every financial year. An employee's scorecard template will be aligned to that of the organizational scorecard / SDBIP as well as his/her Job Description.

7.2.2   Phase 2: Implementation, Monitoring, Data Analysis and Measurement

When projects and programmes are implemented, the monitoring system as proposed in the organizational performance phases will apply. All the reporting timelines and information management responsibilities will be carried out as detailed in these phases.

7.2.3 Coaching

Should an employee not achieve the agreed indicators in his/her performance scorecard the manager/supervisor must not 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 review. Employees must be coached and given feedback at least quarterly before review.

7.2.4 Phase 4: Employee Performance Review

This phase involves jointly assessing actual performance against expectations at the end of the performance cycle to review and document planned vs. actual performance. The following guidelines will be applicable for conducting individual performance reviews:

A Manager/supervisor will prepare ratings of employee's performance against key performance indicators. The rating will be done by considering the year end actual cumulative as well, the evidence which was documented during the coaching cycle as well as any other relevant input. The Manager/supervisor will request the employee to prepare for formal appraisal by rating him/herself against the agreed key performance indicators on their scorecards. The Manager/supervisor and the employee 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 will then take place. In the event of a disagreement, the manager/supervisor has the final say about the final rating that is given. After the ratings have been agreed upon the scores are calculated. The Manager/supervisor must make own notes during the formal review meeting. All the criteria that have been specified must be taken into consideration.

Only those KPIs relevant for the review period in question should be rated according to the five-point scale as shown above. After the year-end review the manager/supervisor and the employee prepare and agree on a personal development plan. The total score is determined once all the indicators have been rated and scored. This is done with a view to establish if an employee is entitled to non-financial award. Annual inflation related increments will not be affected by the implementation of the performance management system and cascading it down to all employees.

7.2.5 Phase 5: Rewarding Performance

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.

The performance reward system applied to Section 54/56 Employees is different from the performance reward system applied to Permanent Employees who are not Section 57 Employees. Section 54/56 employees reward system is clearly spelt out in the 2006 Performance Regulations and these rewards are be allocated after the tabling of the receipt of the audit report and tabling of the annual report, i.e. in March of each year.

If an employee is a permanent employee of Ulundi Local Municipality and is thus covered by the conditions of service of the municipality, performance is not directly linked to pay. Currently permanent employees receive an annually bargained increase determined by the South

African Local Government Bargaining Council (SALGBC). Permanent employees who perform outstandingly will receive non-cash rewards, until such time as Council dictates otherwise.

The non-cash rewards that will be awarded to permanent employees appear in the table below:

Outstanding/Above Performance Levels	• Employee is granted "free" leave days. (The Manager/Supervisor and employee must agree on the dates, leave must be taken within three months of it being awarded). • Thank You cards • Letter of appreciation • Certificates
Average Performance	• No reward–person considered as doing his/her job well but not been fully effective.
Below Average Performance	• Compulsory performance counselling and monthly coaching sessions by manager/supervisor

8. Critical dates and timelines

Activity	Timeline	Responsible Official
Preparation of Portfolio of Evidence (PoE)	Evidence (PoE) • 7th day of October (for 1st quarter informal assessments) • 6th day of January (for mid-year formal assessments) • 7th April (for 3rd quarter informal assessments) • 9th July (for end-of-financial year formal assessments)	• HOD's
Submission of PoE	7th October, 6th January, 7th April, and 9th July	• HOD's
Performance Assessment procedure	**Mid-year** • Between the 9th and 13th day of January. **Year-end** • Between the 17th and 21st day of July.	• MM in case of HOD's • Mayor in case of Municipal Manager
Internal Auditing of PoE files PoEs and one on one assessment the MM (in case of HoD) and Mayor	**Mid-year** • Mid-February Year-end • Mid-August	• Internal Audit

(in case of MM) are audited by the Internal Auditors		
Evaluation	**Mid-year** • Late February **Year-end** • Late August	• Evaluation Committee
Internal Auditing of PMS process	Internal audit report on performance measurements is submitted to the MM on a quarterly basis	• Internal Audit

9.   Evaluation and Review of the Performance Management System

The Ulundi Local Municipality will review its Performance Management System annually alongside the review of the IDP.

10.   Conclusion

This framework seeks to provide the basis for a structured approach to performance management within the Ulundi Local Municipality. As indicated earlier, proper implementation of this framework lies heavily on commitment and dedication of the staff audits leadership.