

FRAMEWORK FOR IMPLEMENTING PERFORMANCE MANAGEMENT



As amended on 26 May 2014

Framework for implementing performance management

Adopted by the Mayoral Committee on 15 May 2013.
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Performance management is a strategic approach to management that equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and evaluate performance of the Municipality in terms of measures (indicators) and targets for efficiency, effectiveness and impact.

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1. WHY IS MEASURING PERFORMANCE IMPORTANT?

Performance information indicates how well an organisation is meeting its aims and objectives, and which policies and processes are working. Performance information is key to effective management, including planning, budgeting, implementation, monitoring and reporting. Performance information also facilitates effective accountability, enabling legislators, members of the public and other interested parties to track progress, identify the scope for improvement and better understand the issues involved.

Swartland Municipality delivers services essential to the well-being and development of its residents. To ensure that service delivery is as efficient and economical as possible, the Municipality is required to formulate a five year strategic plan (IDP), allocate resources to the implementation of the plan, and monitor and report the results. Performance information is essential to determine whether the Municipality is delivering on its objectives and to alert managers to areas where corrective action is required.

Performance information also plays a growing role in budget allocations and will increasingly be used to monitor service delivery. This means the information must be accurate, appropriate and timely.

The most valuable reason for measuring performance is that what gets measured gets done. If an organisation knows that its performance is being monitored, it is more likely to perform the required tasks - and to perform them well. In addition, the availability of performance information allows managers to pursue results-based management approaches, such as performance contracts, risk management, benchmarking and market testing.

2. WHY THIS DOCUMENT?

In terms of section 38 of the Municipal Systems Act No 32 of 2000 a municipality must -

- (a) establish a performance management system that is -
 - (i) commensurate with its resources;
 - (ii) best suited to its circumstances; and
 - (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP);
- (b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration.

In terms of regulation 7(1) of the Municipal Planning and Performance Management Regulations, 2001 a municipality's performance management system must entail a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

3. PURPOSE OF THE FRAMEWORK

The purpose of this document is to facilitate the implementation of the performance management system (PMS) through the following process:

- Setting performance indicators and targets
- Approval of annual performance agreements
- Performance monitoring and evaluation
- Auditing
- Reporting
- Review and improvement of the PMS

4. LEGAL CONTEXT

4.1 Municipal Systems Act No 32 of 2000

Chapter 6 deals with performance management. The following sections are applicable:

- 38: Establishment of performance management system
- 39: Development of performance management system
- 40: Monitoring and review of performance management system
- 41: Core components
- 42: Community involvement
- 43: General key performance indicators
- 44: Notification of key performance indicators and performance targets
- 45: Audit of performance measurements
- 46: Annual performance reports

4.2 Municipal Finance Management Act No 56 of 2003

The following sections are applicable:

- 72: Mid-year budget and performance assessment
- 121: Preparation and adoption of annual reports

4.3 Municipal Planning and Performance Management Regulations, 2001

Chapter 2 of the Regulations deals with performance management. The chapter covers the following:

- Nature of performance management system
- Adoption of performance management system
- Setting of key performance indicators
- General key performance indicators
- Review of key performance indicators
- Setting of performance targets
- Monitoring, measurement and review of performance
- Internal auditing of performance measurements

4.4 Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006

Chapter 2 (employment contracts) and chapter 3 (performance agreements) are applicable. These are the regulations that prescribe in detail how performance management is to be done in Municipalities. This framework for implementing performance management is totally in line with the regulations.

4.5 Regulations on Appointment and Conditions of Employment of Senior Managers, 2014

Regulation 9 and Annexure A are applicable. Annexure A is a competency framework for senior managers and describes the leading and core competencies applicable to senior managers. It also contains a detail description of each of the six leading and six core competencies.

5. PERFORMANCE CYCLE

The performance cycle for the Municipality runs from 1 July to 30 June in line with the financial year. It must be an integral part of the IDP process and implemented as follows:

Component	Annual timeframes
<i>Performance indicators and targets</i>	
Drafting or review	Between January and March
Approval in draft format by Council as part of the IDP	End of March
Advertising for public input and comments	During April
Final approval by Council as part of the IDP	End of May
<i>Performance agreements</i>	
Preparation	During June
Signing after submission to the Executive Mayor	June
<i>Performance monitoring and evaluation</i>	
Performance monitoring	Monthly
Performance evaluation and appraisal	Quarterly
Panel evaluation of annual performance	July/August
<i>Auditing</i>	
By Internal Audit	Throughout the year
By the Auditor-General	Between September and November
<i>Reporting</i>	
In-year reporting	Monthly and quarterly
Bi-annual report in terms of section 72 of the MFMA	By 25 January
Annual Report in terms of section 121 of the MFMA	January (draft) and March (final)
Audit report to Council	Bi-annually in March and September
<i>Review and improvement of the PMS</i>	
Review the municipality's performance management system (PMS)	Annually during September and October

6. SETTING PERFORMANCE INDICATORS AND TARGETS

6.1 Legal requirements

In terms of section 41 of the Municipal Systems Act a municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed -

- set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its IDP; and
- set measurable performance targets with regard to each of those development priorities and objectives

In terms of regulation 9(1) of the Municipal Planning and Performance Management Regulations, 2001 -

- a municipality must set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives referred to in section 26(c) of the Act.
- A key performance indicator must be measurable, relevant, objective and precise.

In terms of regulation 9(2) a municipality must, in setting performance indicators, ensure that communities are involved.

6.2 Performance standards and targets

Performance targets express a specific level of performance that the Municipality or individual is aiming to achieve within a given time period.

Performance standards express the minimum acceptable level of performance, or the level of performance that is generally expected. These should be informed by legislative requirements, departmental policies and service-level agreements. They can also be benchmarked against performance levels in other municipalities, or according to accepted best practices.

Performance standards and performance targets must be specified prior to the beginning of the financial year. While standards are generally "timeless", targets need to be set in relation to a specific period.

The Municipality should use standards and targets throughout the organisation, as part of its internal management plans and individual performance management system.

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

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

6.3 Elements

Performance indicators and targets tell us what progress is being made in achieving objectives. They are essentially statements that describe the dimensions of performance which are considered key when assessments and evaluations are undertaken. Three elements are important in the measuring of performance:

- Inputs, i.e. the costs, resources and time used to produce an output. These refer to economy and efficiency measurements.
- Outputs, i.e. the results and effectiveness of activities, processes and strategies of a programme of the Municipality. It measures whether a set of activities or processes yields the desired output. It shows the 'deliverables' of programmes and projects.
- Outcomes, i.e. the quality and/or impact of the outputs on achieving the overall objective. It measures whether the output yields the desired outcomes. It shows the broader consequences of programmes and projects.

This stage comprises setting indicators and targets, and then gathering data and information on these measures to assess the progress of the Municipality. Most of the work is done as part of the IDP/Budget process. All indicators and targets must be linked to the IDP objectives.

7. PERFORMANCE MONITORING AND EVALUATION

7.1 Legal requirements

In terms of section 41(c) of the Municipal Systems Act a municipality must, with regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and (b), -

- (i) monitor performance; and
- (ii) measure and review performance at least once per year.

In terms of regulation 13 of the Municipal Planning and Performance Management Regulations, 2001 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.

The mechanisms, systems and processes for monitoring 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.

7.2 Components

In terms of regulation 26(5) of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 and Annexure A of the Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 the criteria upon which the performance of the employee must be assessed consist of two components:

- The key performance areas (KPA's) covering the main areas of work that will account for 80% of the final assessment.
- The Competencies that will account for 20% of the final assessment.

7.3 Key performance areas and weights

The Municipal Manager's KPA's are prescribed in regulation 26(6) of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006. The directors' key performance areas must be determined according to the functional areas of his or her department. Weights must be used to align performance ratings with the proportional importance of tasks. Within this context it means that the higher the weight, the more value is attached to a certain key performance area.

The following KPA's and weights were agreed upon for the different departments:

Municipal Manager

Basic service delivery	15%
Municipal institutional development and transformation	15%
Good governance and public participation and LED	15%
Municipal financial viability and management	15%
IDP Implementation	40%

Civil Engineering Services

General Management	30%
Civil Services	30%
Cleaning Services	15%
Building Services	5%
IDP Implementation	20%

Corporate Services

General Management	30%
General Support	5%
Human Resource Services	25%
Secretariat and Record Management	10%
Administration: Properties and Contracts	5%
Communication and Public Relations	5%
IDP Implementation	20%

Development Services

General Management	30%
Community Development	10%
Housing	10%
Planning, Building Control and Valuations	20%
Occupational Health and Facilities	10%
IDP Implementation	20%

Electrical Engineering Services

General Management	30%
Departmental Performance – Tom	20%
Departmental Performance – MJ	20%
Information Management	10%
IDP Implementation	20%

<u>Financial Services</u>	
General Management	30%
Budgeting	10%
Credit Control	5%
Financial Statements	15%
Supply Chain Management	5%
Income	5%
Expenditure	5%
Asset and Vehicle Management	5%
IDP Implementation	20%

<u>Protection Services</u>	
General Management	30%
Traffic and Law Enforcement Services	30%
Fire and Emergency Services	20%
Harbour: Yzerfontein	0%
IDP Implementation	20%

7.4 Implementation of the Municipality's IDP

What is clear from the weights above is the importance attached to the implementation of the Municipality's IDP. It carries a weight of 40% with the Municipal Manager and 20% with each of the directors. The key performance indicators and targets in the IDP are incorporated into the performance management system and form part of the monthly and quarterly monitoring and evaluation.

7.5 Competencies

The Competencies make up 20% of the employee's assessment score. Annexure A of the Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 provides for the following six leading competencies and six core competencies:

LEADING COMPETENCIES	
Strategic Direction and Leadership	<ul style="list-style-type: none"> • Impact and Influence • Institutional Performance Management • Strategic Planning and Management • Organisational Awareness
People Management	<ul style="list-style-type: none"> • Human Capital Planning and Development • Diversity Management • Employee Relations Management • Negotiation and Dispute Management
Program and Project Management	<ul style="list-style-type: none"> • Program and Project Planning and Implementation • Service Delivery Management • Program and Project Monitoring and Evaluation
Financial Management	<ul style="list-style-type: none"> • Budget Planning and Execution • Financial Strategy and Delivery • Financial Reporting and Monitoring
Change Leadership	<ul style="list-style-type: none"> • Change Vision and Strategy • Process Design and Improvement • Change Impact Monitoring and Evaluation
Governance Leadership	<ul style="list-style-type: none"> • Policy Formulation • Risk and Compliance Management • Cooperative Governance
CORE COMPETENCIES	
Moral Competence	
Planning and Organising	
Analysis and Innovation	
Knowledge and Information Management	
Communication	
Results and Quality Focus	

7.6 Monitoring and evaluation

The key performance indicators (KPI's) and performance targets must be monitored on a monthly basis and formal evaluation and rating on the five-point scale below done on a quarterly basis. The directors are responsible for the monitoring and evaluation of the division heads that report to them and the Municipal Manager for the monitoring and evaluation of the directors.

During the monitoring and evaluation sessions the actual performance of each employee must be captured on the Municipality's electronic database together with reasons for underperformance (if any) and interventions where necessary. Employees must be able to provide evidence for each KPI and performance target for audit purposes. Evidence must either be linked directly to the electronic database system or clearly referenced (e.g. the Collaborator number) in the field provided for this purpose in the database. Evidence must be sufficient to proof the actual performance.

During the quarterly evaluation sessions the ratings must also be captured.

After each quarterly evaluation session the results must be checked and signed off electronically on the Municipality's electronic database by the Executive Mayor (with respect to the Municipal Manager), by the Municipal Manager (with respect to the directors) and by each director (with respect to the division heads that report to him or her).

Competencies must be evaluated and rated bi-annually in January and July and the results captured on the Municipality's electronic database in the same way as described above.

7.7 Rating scale for KPI's

Regulation 27(4)(c) of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 prescribes the following five-point scale for the purposes of rating employees' performance in respect of KPI's:

Rating	Terminology	Description
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.
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.
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.
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.
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.

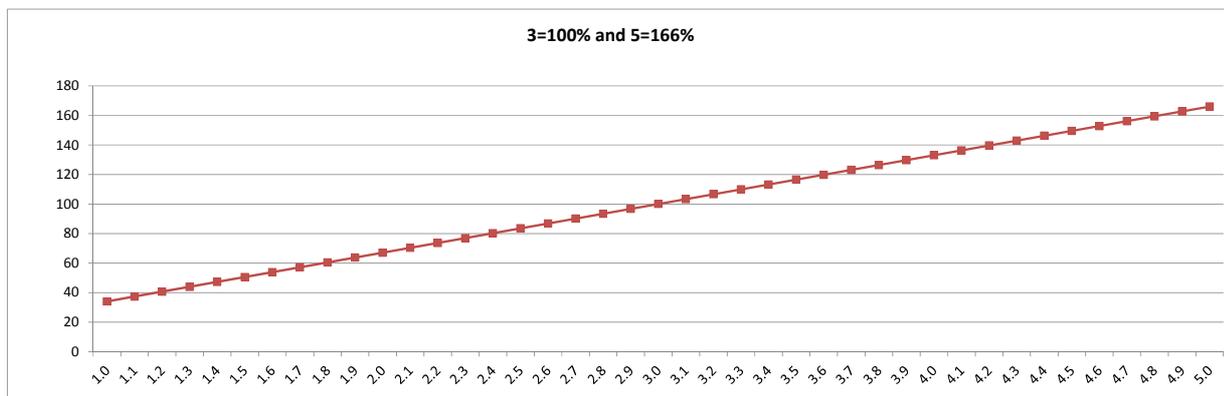
7.8 Percentages related to the KPI rating scale

In the Municipality's electronic database all performance results relate to a percentage. This is to ensure accurate comparison of performance between different financial years.

A rating of 3 (fully effective) relates to a percentage of 100%. This means that ratings of 4 and 5 relate to percentages higher than 100% which indicate performance above what is regarded as fully effective. Similarly ratings of 2 and 1 relate to percentages lower than 100% which indicate performance below what is regarded as fully effective. The major rating intervals and related percentages are shown in the table below:

Rating	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0
Related %	34.0%	50.5%	67.0%	83.5%	100.0%	116.5%	133.0%	149.5%	166.0%

Of course, with the help of software such as MS Excel, the percentages of any rating between 1 and 5 can be determined accurately. This function is built into the Municipality's electronic database with the result that percentages are calculated automatically. The graph below shows all the rating intervals between 1 and 5 with their related percentages:



7.9 Rating scale for Competencies

The Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 prescribes the following scale for the purposes of rating employees' performance in respect of Competencies:

Rating	Achievement level	Description
2	Basic	Applies basic concepts, methods, and understanding of local government operations, but requires supervision and development intervention
3	Competent	Develops and applies more progressive concepts, methods and understanding. Plans and guides the work of others and executes progressive analyses
4	Advanced	Develops and applies complex concepts, methods and understanding. Effectively directs and leads a group and executes in- depth analyses
5	Superior	Has a comprehensive understanding of local government operations, critical in shaping strategic direction and change, develops and applies comprehensive concepts and methods

A full description of achievement levels per competency is found in Annexure A of the Regulations.

7.10 Annual performance evaluation by panel

In terms of regulation 27(4)(d) of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 the Municipality must, for purposes of evaluating the annual performance of the Municipal Manager and directors, establish evaluation panels constituted of the following persons:

For the Municipal Manager -

- The Executive Mayor
- The Chairperson of the Audit Committee
- A member of the Mayoral Committee
- The mayor and/or municipal manager from another municipality
- A member of a ward committee as nominated by the Executive Mayor

For the directors -

- The Municipal Manager;
- The Chairperson of the Audit Committee
- A member of the Mayoral Committee
- The municipal manager from another municipality

The annual performance evaluation by panel must be done before the end of August.

7.11 Performance bonuses

In terms of Regulation 32(2) of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006 a performance bonus ranging from 5% to 14% of the all-inclusive remuneration package **may** be paid to an employee in recognition of outstanding performance.

The Municipality however decided not to pay any performance bonuses.

8. PERFORMANCE REPORTING

Monthly and quarterly performance reports must be submitted to the Council's Portfolio Committees or, in months with no Portfolio Committee meetings, to the Mayoral Committee.

Monthly reports must contain information on the performance of the Municipal Manager and directors while quarterly reports must contain information on the performance of the Municipal Manager, directors and division heads.

Quarterly reports must also include information on the performance evaluation of IDP indicators and targets.

In terms of Section 72 of the Municipal Finance Management Act No 56 of 2003 the Municipal Manager must by 25 January of each year assess the performance of the Municipality during the first half of the financial year, taking into account, amongst others, the Municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan.

In terms of Section 121 of the Municipal Finance Management Act the Municipality must prepare an annual report which must be dealt with by the Council within nine months after the end of a financial year (end of March). The annual report must however be tabled in Council by the Executive Mayor within seven months after the end of a financial year (end of January) (Section 127). The annual report must include the annual performance report of the municipality in terms of section 46 of the Municipal Systems Act.

9. PERFORMANCE AUDITING

Regulation 14(1) of the Municipal Planning and Performance Management Regulations, 2001 deals with internal auditing of performance measurements. It stipulates the following:

- The Municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes;
- Any auditing of performance measurements must include assessments of the functionality of the performance management system, whether the system complies with the Municipal Systems Act and the extent to which the measurements are reliable in measuring performance on indicators; and

- The Municipality's Internal Auditor must on a continuous basis audit the performance measurements of the Municipality and submit quarterly reports on the audits to the Municipal Manager and the Audit Committee.

In terms of regulation 14(4) of the Municipal Planning and Performance Management Regulations, 2001 the Audit Committee must –

- review the quarterly reports mentioned above; and
- review the Municipality's performance management system and make recommendations in this regard to the Council.

In reviewing the Municipality's performance management system, the Audit Committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the Municipality are concerned.

10. REVIEW AND IMPROVEMENT OF THE PMS

In terms of regulation 11 of the Municipal Planning and Performance Management Regulations, 2001 the Municipality must review its key performance indicators annually as part of the performance review process referred to in regulation 13. Secondly the Municipality must, whenever it amends its IDP, also review those key performance indicators that will be affected by such an amendment.

The mechanisms, systems and processes developed in terms of Regulation 13 of the Municipal Planning and Performance Management Regulations, 2001 must allow the local community to participate in the review process.

The review of the key performance indicators and targets runs concurrently with the review process of the IDP. The community participation that happens during the review process of the IDP is used to consult communities on the amendments to key performance indicators and targets. The amendments are therefore formally advertised for inputs and comments annually in April.

The management team must review the past year's municipal performance and identify where changes are needed. The review must take cognisance of any input received from the community as well as input provided by departments.