MIDVAAL
LOCAL MUNICIPALITY

Final 2026/2027 Integrated Development Plan (IDP) Review

Annexure J:

Final Performance Management Policy (2026)

PERFORMANCE MANAGEMENT POLICY

2026/2027

LOCAL MUNICIPALITY

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TABLE OF CONTENTS

1. Acronyms

CCR	Core Competency Requirement
IDP	Integrated Development Plan
GG	Government Gazette
KFA	Key Focus Area
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MMC	Member of the Mayoral Council
MFMA	Municipal Financial Management Act
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
PA	Performance Appraisal
PMS	Performance Management System
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
MLM	Midvaal Local Municipality
NTFMPPI	National Treasury Framework for Managing Programme Performance Information
MSR	Local Government: Municipal Systems Act, Act 32 of 2000, Municipal Staff Regulations, 20 Sep 2021
PMDS	Performance Management & Development System
SCM	Supply Chain Management Policy

2. Definitions

Activity	It is an action or task that is performed with the intension of achieving the Key Focus Areas (KFAs)
Baseline	It is the actual results of a project, programme or activity achieved during the previous financial year(s)
Driver	It is the person who takes ownership to execute a project, programme or activity
Employee	A person employed by the MLM as a Municipal Manager or as a Manager directly accountable to the Municipal Manager, and all other personnel employed permanently by the municipality
Employer	The MLM as represented by the Executive Mayor or the Municipal Manager, as the case may be
Employment Contract	A contract as contemplated in Section 56 of the Municipal Systems Act, as amended
MLM	Midvaal Local Municipality
Key Focus Area (KFA)	It is those areas in which the municipality must perform to ensure that the Key Performance Areas are achieved
Key Performance Area (KPA)	It is the performance area in which the municipality must perform to achieve its Mission and Vision
Key Performance Indicator (KPI)	It defines how performance will be measured along a scale or dimension (e.g. number of houses, km of road, percentage increase, etc.) to achieve the strategic objectives and KPAs
National Key Performance Area (NKPA)	This is a key area of focus determined at National level and is mandatory to all municipalities in South Africa
National Key Performance Indicator (NKPI)	This is a key indicator determined at national level and is mandatory for all municipalities in South Africa to regularly report on
National Outcomes	This refers to the 12 outcomes determined by National Government of which Outcome 9 is focussing specifically on local government
Performance Agreement	An agreement as contemplated in Section 56 of the Municipal Systems Act, as amended
Performance Indicator	It defines how performance will be measured along a scale or dimension (e.g. number of houses, km of road, percentage increase, etc.) to achieve the Key Focus Areas (KFAs)
Policy	Basic performance management principles by which the municipality is guided
Portfolio of Evidence (PoE)	It is a file with a clear “paper trail” that serves as proof of the execution of a specific project, programme or activity. (It can include documents, pictures or any other form of evidence)
Programme	A sequence of scheduled activities and / or projects executed with the intension of achieving the Key Focus Areas (KFAs)
Project	It is an initiative that is executed over a specific period of time with a defined beginning and end with the intension of achieving the Key Focus Areas (KFAs). (It can be capital intensive or any other project)
Strategic Objective	It translates the Key Performance Area (KPA) into an outcome statement
Strategy	A plan of action designed to achieve the MLM’s Vision
System	Detailed method and procedures formulated to carry out performance management
Target	It completes the performance indicator with actual numbers, percentages, rand values, etc. To be achieved over a specific period of time.

3. Introduction

Effective performance management is fundamental to the delivery of excellent local services. Local government has achieved improvements in recent years, however, councils are recognising that they need to continue to develop and embed their approaches if they are to achieve further improvements.

Integrated Development Planning and Performance Management were introduced to realise the developmental role of local government. Whilst the Integrated Development Plan (IDP) provides a framework for strategic decision-making, performance management must ensure that the desired results are achieved during implementation to ensure the correctness of the strategic direction of the objectives, strategies and projects put forward by the IDP.

Performance management is a strategic approach to management, which equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to:

- regularly plan;
- continuously monitor;
- periodically measure; and
- review performance,

of the organisation in terms of indicators and targets for:

- efficiency;
- effectiveness; and
- impact.

A Performance Management System (PMS) entails a framework that describes and represents how the municipality's process of performance planning, monitoring, measurement review, reporting and improvement will be conducted, organised and managed, including determining the different role players. This policy document guides the development of a PMS for the Midvaal Local Municipality (MLM). It also forms the basis of aligning the IDP with the operational SDBIPs, performance areas and performance indicators of the various departments of the MLM.

4. Legislative and Policy Framework

Legislative enactments which govern performance management in municipalities are found in various documents. As outlined in Section 40 of the Municipal Systems Act of 2000, MLM must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels.

Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP Review process the Key Performance Areas, Key Performance Indicators and Performance Targets are reviewed and that this review will form the basis for the review of the municipal PMS and Performance Agreements of Senior Managers.

The Performance Management System is informed by the following legislation and policies:

1. The Constitution of the Republic of South Africa, Act 108 of 1996 and as amended;
2. Local Government: Municipal Systems Act, Act 32 of 2000 as amended;
3. Local Government: Municipal Structures Act, Act 117 of 1998;
4. Local Government: Municipal Finance Management Act (MFMA), Act 56 of 2003;
5. Local Government: Municipal Planning & Performance Management Regulations, 2001 (R.796)
6. Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006;
7. Local Government: Municipal Systems Act, Act 32 of 2000, Municipal Staff Regulations;
8. National Treasury: Framework for Managing Programme Performance Information, 2007;
9. National Treasury: MFMA Circular 63 (Annual Report: Guidelines - Update);
10. National Treasury: MFMA Circular 13 (Services Delivery and Budget Implementation Plan);
11. National Treasury: MFMA Circular 32 (The Oversight Report);
12. Batho Pele White Paper;

Other legislation that impacts on and relates to performance management includes:

1. Labour Relations Act, Act 66 of 1995: Code of Good Practice;
2. Basic Conditions of Employment Act, Act 75 of 1997;
3. Employment Equity Act, Act 55 of 1998;
4. The Skills Development Amendment Act, Act 31 of 2003;
5. Promotion of Access to Information Act, Act 2 of 2000.

Although it is not considered necessary to go into detail in respect of all the legislation it is important to give a brief overview of the most important legislative provisions set out in:

1. The Municipal Systems Act No. 32 of 2000 as amended;
2. The Municipal Planning and Performance Management Regulations of 2001;
3. The Municipal Finance Management Act, Act 56 of 2003;
4. The Municipal Performance Regulations of 2006 for Municipal Managers and Managers directly Accountable to Municipal Managers;
5. The Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, Government Gazette 36223 dated 7 March 2013 and Government Gazette 37245 dated 17 Jan 2014;
6. The Local Government: Municipal Systems Act, Act 32 of 2000: Local Government: Upper Limits of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Managers, Government Gazette 42023;
7. The Local Government: Disciplinary Regulations for Senior Managers, 2010;

Summaries of the provisions relating to organisational performance management are therefore set out hereunder:

4.1 Municipal Systems Act, 32 of 2000

Chapter 6 of the Municipal Systems Act (2000) as amended provides briefly that a municipality must:

1. Develop a performance management system (PMS);
2. Promote a performance culture;
3. Administer its affairs in an economical, effective, efficient and accountable manner;
4. Set Key Performance Indicators (KPI's) as a yardstick for measuring performance;
5. Set targets to monitor and review the performance of the municipality based on indicators linked to their IDP;
6. Monitor and review performance at least once per year;
7. Take steps to improve performance;
8. Report on performance to relevant stakeholders;
9. Publish an annual performance report on performance of the municipality forming part of its annual report as per the provisions of the Municipal Finance Management Act of 2003;
10. Incorporate and report on a set of general (sometimes also referred to as National) indicators prescribed by the National Minister of Provincial and Local Government;
11. Conduct an internal audit of all performance measures/indicators on a continuous basis;
12. Have their annual performance report audited by the Auditor-General; and
13. Involve the community in setting indicators and targets and in reviewing municipal performance.

Sections 55 to 58 of the Municipal Systems Act further outline the provisions on the employment and functions of the Municipal Manager and Managers directly accountable to the Municipal Manager.

4.2 Municipal Planning and Performance Management Regulations of 2001

In summary the Regulations provide that a municipality's Performance Management System must:

1. Entail a framework that describes and represents how the municipality's cycle and process of performance management, including measurement, review, reporting and improvement, will be conducted;

2. Comply with the requirements of the Municipal Systems Act; and

3. Relate to the municipality's employee performance management processes and be linked to the municipality's IDP.

A municipality must:

1. Set key performance indicators (KPI's) including input, output and outcome indicators in consultation with communities;

2. Annually review its Key Performance Indicators;

3. Set performance targets for each financial year;

4. Measure and report on the relevant Nationally prescribed key performance outcome;

5. Measure and report on the National local government KPA's;

6. Report on performance to Council at least twice a year;

7. As part of its internal audit process audit the results of performance measure-ment;

8. Appoint a performance audit committee; and

9. Provide secretarial support to the said audit committee.

4.3 Municipal Finance Management Act, 56 of 2003 (MFMA)

The Municipal Finance Management Act also contains various important provisions relating to performance management. In terms of the Act all municipalities must:

1. Annually adopt a service delivery and budget implementation plan with service delivery targets and performance indicators;
2. When considering and approving the annual budget, set measurable performance targets for revenue from each source and for each vote in the budget;
3. Empower the Executive Mayor or Executive Committee to approve the Service Delivery and Budget Implementation Plan and the Performance Agreements of the Municipal Managers and the Managers directly accountable to the Municipal Manager; and
4. Compile an annual report, which must, amongst others things, include the municipality's performance report compiled in terms of the Municipal Systems Act.

The Municipal Systems Act and the Municipal Finance Management Act require that the PMS be reviewed annually in order to align itself with the reviewed Integrated Development Plan (IDP). In consequence of the reviewed organisational performance management system it then becomes necessary to also amend the scorecards of the Municipal Manager and Section 56 Managers in line with the cascading effect of performance management from the organisational to the departmental and eventually to employee levels.

4.4 Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers of 2006

This legislation regulates the management of the Section 56-employees of a municipality by providing an outline of employment contracts, performance agreements, performance plans, employee development, empowerment, measures/indicators and performance evaluation processes. These regulations further provide criteria for performance assessment and the 5-point rating upon which performance of an individual need to be scored during the assessment and evaluation.

4.5 Local Government: Municipal Systems Act, Act 32 of 2000, Municipal Staff Regulations, 20 Sep 2021

This policy must be read with the Performance Management and Development System Regulations and Policy. This legislation requires per Section 32(1) the adoption of the Performance Management and Development System applicable to all staff members of the municipality. However certain staff members are excluded, Midvaal Local Municipality opted to include all staff members to create a culture of excellence and uphold its Vision. The Performance Management and Development System must be collaborative, transparent and fair.

The Performance Management and Development System will be consultative, supportive and non-discriminatory in order to enhance organisational efficiency, effectiveness and accountability. It will be underpinned by open, constructive and ongoing communication between the supervisor and the staff member.

It will be, where reasonably practicable, link to the Municipality's Strategic Objectives, Integrated Development Plan and the Service Delivery & Budget Implementation Plan of the relevant municipal department and the senior manager's performance plan and the performance plans of the staff members within that senior manager's department.

4.6 Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, GG 36223 dated 2013 and GG37245 dated 17 Jan 2014

This legislation addresses, inter alia, the Competency Framework for Senior Managers, namely the:

- Core Competencies

  These are competencies that cut across all levels of work in a municipality and enhance contextualised leadership that guarantees service delivery impact; and

- Leading Competencies

  These are competencies that are required to develop clear institutional strategy, initiate, drive and implement programs to achieve long-term sustainable and measurable service delivery performance results.

4.7 Local Government: Disciplinary Regulations for Senior Managers, 2010

The purpose and application of this Disciplinary Code applies to all municipalities and senior managers.

It is intended to:

(i) provide an internal mechanism for management of misconduct;
(ii) establish standard procedures for the management of misconduct;
(iii) support constructive labour relations;
(iv) ensure a common understanding of misconduct and discipline;
(v) promote mutual respect between senior managers and council;
(vi) promote acceptable conduct;
(vii) avert and correct unacceptable conduct; and
(viii) prevent arbitrary or discriminatory actions.

Prevails in the event of any inconsistency with any systems and procedures adopted by a municipality.

The principle of this Disciplinary Code is informed by the following principles:

- Discipline is fundamentally a corrective measure and not punitive and must be applied in a prompt, fair, consistent and progressive manner.

These procedures are intended to create an enabling environment to:

(i) facilitate effective performance by the senior managers;
(ii) provide the senior managers with access to skills development and capacity building opportunities in order to promote efficient and effective performance;
(iii) provide remedial and developmental support to assist the senior managers to deal with substandard performance; and
(iv) ensure that the municipal council and senior managers work collaboratively to generate solutions to problems and improve the performance of senior managers.

5. Objectives of Performance Management

A municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to gauge the progress made in achieving the objectives as set out in the IDP**.**

The PMS process plan includes the following objectives that the system should in addition fulfil:

5.1 Facilitate Increased Accountability

The performance management system should provide a mechanism for **ensuring increased accountability** between the local community, politicians, the Municipal Council and the municipal management team. The increased accountability will inter alia include:

5.1.1 The implementation of the Integrated Development Plan (IDP) key priority projects which have received funding.

5.1.2 Council's instruction on the strategic, operational and tactical levels will be uphold.

5.1.3 Management of funding and budgets:

1. Capital Budgets
2. Operational Budgets
3. Grant Funding

5.1.4 Management of the available Human Resources to best implement the IDP, Council's decisions and management responsibilities.

5.1.5 Management of processes to give effect to the IDP and budget using Supply Chain Management (SCM), Contract Management, Partnerships and such other legal processes.

5.2 Facilitate Learning and Improvement

The PMS should **facilitate learning** in order to enable the Municipality to improve delivery.

5.2.1 Learning is required for advancement and improvement in order to take the institution forward.

5.2.2 Learning is also required to assist and support staff members to take remedial action to attend to knowledge deficits to help improve performance and to improve the capacity of staff.

5.2.3 Learning is also required to retrain, renew or redirect skills to areas of greater need within the municipality to help improve performance, address educational and institutional knowledge gaps and to direct staff capacity directly.

5.3 Provide Early Warning Signals

It is important that the system ensure decision-makers are **timeously informed** of performance related risks, so that they can facilitate intervention, if necessary.

5.3.1 The early warning system identifies levels of competency and skills of staff. Each level of assessment identifies different levels of learning required. The early warning signals determines the institutional level of response.

5.4 Facilitate Decision-making

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

The objectives are also for the performance management system to serve as a primary mechanism to monitor, review and improve the implementation of the MLM's IDP. Performance management is viewed as a tool that improves the overall performance of the municipality.

6. Performance Management Framework

The Municipality must develop, as part of the performance management system (PMS), a framework which will deal with the "how" to work with performance information. A performance management framework is the way the Municipality collects, presents and uses its performance information. It is a practical plan, made up of mechanisms and processes, for the Municipality to collect, process, arrange and classify, examine and evaluate, audit, reflect on and report performance information. These mechanisms and processes work in a cycle which must be linked to the Municipality's normal planning (IDP and otherwise) and the annual budgeting cycle.

6.1 Components of Performance Management Framework

The annual process of managing performance at organisational level in the MLM involves the steps as set out in the diagram below:

6.2 Clarifying Roles and Responsibilities of Stakeholders and Role-players

It is important to understand the duties, roles and responsibilities of the different stakeholders and role-players in the various processes that together constitute the framework of the PMS. It is important that the accountabilities and relationships and priorities of the various stakeholders are set to ensure that there is a complete understanding of the participation, consultation and involvement of all stakeholders for maximum inputs into, and success of the PMS.

The PMS is a component of municipal governance and management systems that is aimed at ensuring that the performance of the Municipality is developmental, while complementing the planning and budgeting processes as an integral part of organisational and individual management. It involves a wide variety of stakeholders, all of whom play a vital and integral part in the overall success of the PMS. There are a variety of tasks that have been identified as being an integral part of the PMS. The schedule hereunder sets out the tasks, which should not be seen as a chronological sequence of occurrences and events. The tasks, together with the appropriate stakeholders/role-players (with their roles and responsibilities), are the following:

STAKEHOLDERS / ROLE-PLAYERS	ROLES AND RESPONSIBILITIES
1. Developing and sanctioning the performance management process	
Mayoral Committee	Ratify and adopt the PMS Policy
2. Developing measures / indicators	
Officials	1. Provide the IDP documentation and (when appropriate) the PMS documentation of the previous reporting period
	2. Provide inputs into the process with reference to the available resources within their respective departments
	3. Document the measures/indicators
	4. Provide the schedule of measures/indicators to relevant stakeholders
Councillors	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities
	Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations
Local Community and Stakeholders	Provide inputs into the process with reference to their specific needs and requirements
3. Setting targets	
Officials	1. Provide inputs into the process with reference to the available resources within their respective departments
	2. Document the targets
	3. Provide and publicise the schedule of targets to the relevant stakeholders

Councillors	1. Provide inputs into the process with reference to the needs and re-quirements of their constituents and the communities 2. Engage with the officials to ensure maximum utilisation of the re-sources taking into account the budgetary guidelines and possible limitations
Local Community and Stakeholders	Provide inputs into the process with reference to their specific needs and requirements
4. Linking measures/indicators and targets to performance commitments of staff	
Municipal Manager	1. Prepare performance agreements with agreed and approved measures/ indicators and targets 2. Ensure that the measures/indicators and targets in the performance agreements of senior managers are linked with his/her agreement 3. Ensure that all senior managers performance agreements are published 4. Provide inputs into senior managers performance agreements 5. Ensure that the measures/indicators and targets of the departments and sub-ordinates are linked with the senior managers agreements
Mayoral Committee	Ratify and adopt the performance agreements
5. Monitoring and Evaluation	
Executive Mayor	Monitor and evaluate (according to agreed schedule) the measures/indicators and targets of the Municipal Manager
Municipal Manager	1. Monitor and evaluate (according to the agreed schedule) the measures/ indicators and targets of senior managers 2. Ensure that the results are documented and publicised to the relevant stakeholders
6. Information collection, processing and analysis	
Councillors	1. Provide inputs into the process with reference to the needs and require-ments of their constituents and the communities 2. Ensure with the council officials that all information is made available 3. Examination, scrutiny and critical analysis of measures/indicators, targets, outputs and outcomes
Officials	Collect, process and provide the relevant and appropriate information from their respective departments/sections
Local community and Stakeholders	Provide inputs into the process with reference to their specific needs and requirements

7. Auditing of information		
Performance Management Manager	1.	Collect and process relevant and appropriate information from departments
	2.	Examination, scrutiny and critical analysis of information from departments
Performance & Audit Committee	Examination, scrutiny and critical analysis of information from departments	
Auditor-General	1.	Collect and process the relevant and appropriate information from the Municipality
	2.	Examination, scrutiny and critical analysis of information from the Municipality
8. Audit reporting		
Internal Auditor	Provide an independent audit report to the Performance & Audit Committee	
Performance & Audit Committee	Provide an independent audit report to the Municipal Manager and Mayoral Committee	
9. Reporting		
Municipal Manager	Provide approved, relevant and appropriate information and reports to National- and Provincial Government; and the Auditor-General.	
10. Report to Community		
Municipal Manager	Ensure that the results are documented and publicised to the relevant stake-holders	
11. Review of performance management and setting of new measures/indicators and targets		
Officials	1.	Provide inputs into the process with reference to the available resources within their respective departments
	2.	Document the measures/indicators and targets
	3.	Provide and publicise the schedule of revised measures/indicators and targets to relevant stakeholders
Councillors	1.	Provide inputs into the process with reference to the needs and require-ments of their constituents and the communities
	2.	Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations in the light of the revised **measures/indicators** and targets
Local community and Stakeholders	Provide inputs into the process with reference to their specific needs and requirements in the light of the revised measures/indicators and targets	

6.3 Setting and Measures/indicators Targets

The setting of measures/indicators and targets happens during the IDP process and is linked to the strategic objectives of the IDP. Performance measures/indicators and targets are used to show how the Municipality is performing on its objectives. This stage comprises setting measures/indicators and targets and then gathering data and information on these measures/indicators to assess the progress of the Municipality. Performance measurement allows the MLM to compare their actual performance to their intended performance and against nationally defined minimum standards. It will also in time, allow for the comparison of their performance against that of other Municipalities.

Performance targets are the planned level of performance or the milestones the municipality sets for itself for each indicator identified. Baseline measurements and service standards must be identified, which will serve as the measurement of the chosen indicator(s) at the start of the period. In setting targets, it is important to know how the MLM is performing at the current moment. This step also tests whether the chosen indicator is in fact measurable and whether there are any problems. The targets need to be realistic, measurable and be commensurate with available resources and capacity. The public need to be consulted on their needs and expectations in setting a target. Politicians need to give clear direction as to the importance of the target and how it will address the public need.

Targets should be informed by the development needs of communities and the development priorities of the municipality. The municipality must for each financial year set performance targets for each of the key performance indicators set by it. A performance target must be practical and realistic. It must measure the efficiency, effectiveness, quality and impact of the performance of the municipality. It must also identify administrative components, structures, bodies or persons for whom a target has been set. It is important that the set target is commensurate with available resources and the MLM's capacity. Finally targets need to be consistent with the municipality's development priorities and objectives set out in its IDP.

In order to measure progress in terms of a target during monitoring and evaluation (as discussed below), intermediate milestones, if applicable, should be specified with the same criteria as for performance targets.

The following general key performance indicators are prescribed in Section 10 of the Municipal Planning and Performance Management Regulations, 2001 and must be reported on annually:

1. The percentage of households with access to basic level of:
   a. Water,
   b. Sanitation,
   c. Electricity; and
   d. Solid waste removal.
2. The percentage of indigent households with access to free basic services;
3. The percentage of a municipality's capital budget actually spent on capital pro-jects identified for a particular financial year in terms of the municipality's integrated development plan;
4. The number of jobs created through municipality's local economic development initiatives including capital projects;
5. The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
6. The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and

7. Financial viability as expressed by ratio's that measure:

   a. Debt coverage;

   b. Outstanding service debtors to revenue; and

   c. Cost coverage.

National Government further has agreed on 12 outcomes as a key focus of work between now and 2014. These outcomes have been expanded into high-level outputs and activities, which in turn formed the basis of a series of performance agreements between the President and relevant Ministers. Whilst all of the outcomes can to some extent be supported through the work of local government, Outcome 9 (A responsive, accountable, effective and efficient local government system) and its 7 outputs are specifically directed at local government:

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

Output 2: Improving access to basic services;

Output 3: Implementation of the Community Work Programme;

Output 4: Actions supportive of the human settlement outcome;

Output 5: Deepen democracy through a refined Ward Committee model;

Output 6: Administrative and financial capability; and

Output 7: Single window of co-ordination.

A Key Performance Indicator (KPI) qualifies the main aspect that needs to be achieved and thus measure the progress being made in achieving the objectives. It should therefore specify the object or deliverables to be achieved and the means by which it will be measured. Depending on the nature of such KPI, it may also include specifications regarding the quantity and standards of the object and usually includes the timing or projected phasing of delivery. Key Performance Indicators may be both strategic and operational in nature. The KPI's must be relevant to the competencies of Local Government.

The number of indicators should serve the purpose of providing an adequate view of performance. For this reason there should not be too few to skew the picture nor be too many to make it costly and unmanageable. A balanced set of indicators that cover most areas should preferably be used. Indicators should also be set for all entities and service providers when service delivery agreements are entered into. Such indicators are to be informed by the relevant KPIs.

The municipality will use indicators as a communication tool between all levels of staff, and between the administration and Council. It will also serve to identify the gaps between IDP strategies and the operational plans of the various departments. All indicators should be measurable, simple, precise, relevant, adequate and objective.

6.3.1 Types of Indicators

The following types of indicators will be used:

1. Input Indicators

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

2. ***Output Indicators (measures/indicators of success)***

These are the indicators that measure whether a set of activities or pro-cesses yields the desired products or deliverables. They thus measure effectiveness – i.e., doing things correctly, and are typically associated with operational KPI's. They are usually expressed in quantitative terms.

3. ***Outcome Indicators***

These are the indicators that measure the impact or net effect of the pro-ducts or services of the products/programmes in terms of the achievement of the overall objectives. These indicators are strategically the most important to determine. It is thus about the relationship between outputs and outcomes and measures/indicators if the outputs succeed in achieving the desired outcomes or improvements, i.e. doing the right things. The municipality does not always have full and complete control over those aspects that are measured by outcome indicators. It thus measures/indicators the influence it has on conditions or developments in the area. As it is the strategic objectives of the IDP that should determine the desired outcomes of activities, it is important to determine if the outputs over which we have control, are the correct ways with which to address such issues.

4. **Strategic Indicators**

Strategic Indicators to be identified and will be applicable to:

1. Municipal Manager
2. Senior Managers/Heads of Department
3. Directors

5. **Operational Indicators**

Operational Indicators to be identified and will be applicable to:

1. Directors
2. Deputy Directors
3. Assistant Directors

6. **Tactical Indicators**

Tactical Indicators to be identified. Increasingly the community and councillors are requesting what we are doing, which service providers we are selecting or what kind of technology or processes we are using to make service delivery decisions.

7. **Responsiveness Indicators**

Over the last few years, the issue of time taken to respond to complaints, community issues, councillor complaints, call centre logged calls have necessitated the need to create a Service Charter. This Service Charter sets out the minimum amount of time it takes to respond to complaints/calls logged. In light of the significant escalation in complaints, a series of indicators will now reflect how responsive we are in an institution in our various functions.

6.3.2 Identification of Indicators

The following aspects will be considered when identifying indicators:

1. Key Performance Areas (KPAs), Key Focus Areas (KFAs), strategic objectives and development objectives set in the IDP;

2. The activities, projects, programmes and processes identified in the IDP for achieving the developmental objectives as well as the ear-marked resources; and

3. Whether data and baseline information are available for its measurement in the MLM area.

6.3.3 Setting of Key Performance Indicators (KPIs)

Key performance indicators must be set in respect of each of the development priorities and objectives referred to in Section 26(c) of the Municipal Systems Act. It must also be ensured that key performance indicators inform the indicators set for all its administrative units and employees as well as every municipal entity and service provider with whom the municipality has entered into a service delivery agreement.

The following **SMART** criteria will apply for the determination of KPIs and targets:

S - Specific
M - Measurable
A - Achievable
R - Relevant
T - Time-framed

6.3.4 National Key Performance Indicators (KPIs)

General KPIs are prescribed in terms of Section 43 of the Municipal System Act (2000) and Outcome 9. The MLM takes cognisance of these indicators and will report on them as is required by the Act.

6.3.5 Review of KPIs and Targets

The MLM will review its key performance indicators and targets annually as part of the performance review process or whenever it amends its IDP in terms of Section 34 of the Municipal System Act (2000).

6.3.6 Amendment of KPIs and Targets

The MLM will amend its Key Performance Indicators and Targets in line with the Adjustments Budget.

6.4 Performance Planning

The performance of the MLM is to be managed in terms of its IDP and the process of compiling an IDP and the SDBIP, and the annual review of the IDP thereof constitutes the process of planning for performance.

It should be noted that the last component of the process is that of performance review and the outcome of such a review process must inform the next cycle of IDP compilation/review by focusing the planning processes on those areas in which the MLM has underperformed.

6.5 Performance Measurement

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator. The setting of measures/indicators and targets happens during the IDP process and is linked to the strategic objectives of the municipality. To ensure the integrity of the indicators and targets set, baseline information based on backlog and current performance should be used as the basis for setting sound measures/indicators and targets. Performance measurement allows the MLM to compare their actual performance in relation to backlog and current (baseline) performance.

6.6 Performance Monitoring

Performance monitoring is an ongoing process by which a Manager accountable for a specific indicator and target as set out in the SDBIP continuously monitors current performance against predetermined objectives (PDOs). The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due.

6.7 Performance Analysis

Performance analysis involves the process of making sense of measurements/indicators. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met performance analysis requires that the reasons therefore should be examined and corrective action recommended. Where targets have been met or exceeded, the key factors that resulted in such success should be documented and shared so as to ensure organisational learning.

The executive management should also ensure that quality performance reports are sub-mitted to the Mayoral Committee and that adequate response strategies are proposed in cases of poor performance.

6.8 Performance Reporting

6.8.1 In-year Performance Reporting and Review

The submission of the performance reports on scorecards to the Mayoral Committee for consideration and review of the performance of the MLM as a whole is the next step in the process. The first such report is a major milestone in the implementation of any PMS and it marks the beginning of what should become a regular event namely using the performance report as a tool to review the Municipality's performance and to make important political and management decisions on how to improve.

As indicated earlier it is recommended that the performance report on organisational and SDBIP scorecards be submitted to the Mayoral Committee for consideration and review on a quarterly basis. The reporting should therefore take place in October (for the period July to end of September- quarter 1 of the financial year), January (for the period October to the end of December – quarter 2), April (for the period January to the end of March - quarter 3) and July (for the period April to the end of June - quarter 4).

The review in January will coincide with the mid-year performance assessment as per Section 72 of the MFMA. The said section determines that the accounting officer must by 25 January of each year assess the performance of the municipality and thereafter report to the Executive Mayor/National Treasury and Provincial Treasury such assessment in respect of inter alia its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set out in its SDBIP.

The Mayoral Committee in reviewing the performance report on organisational and departmental scorecards submitted to it will have to ensure that targets committed to in the scorecard have been met, where they have not, that satisfactory and sufficient reasons have been provided by executive management and that the corrective action being proposed is sufficient to address the reasons for poor performance. If satisfied with the corrective action as proposed, these must be adopted as formal resolutions, minuted and actioned accordingly.

6.8.2 Annual Performance Reporting and Review

On an annual basis a comprehensive report on the performance of the MLM also needs to be compiled. The requirements for the compilation, consideration and review of such an annual report are set out in chapter 12 of the MFMA. In summary it requires that:

1. All municipalities for each financial year compile an annual report;

2. The annual report be tabled within seven months after the end of the financial year (However, in terms of a National Treasury directive municipalities are required to approve the first draft of an annual report during August);

3. The annual report immediately after it has been tabled be made public and that the local community be invited to submit representations thereon;

4. The municipal Council consider the annual report within nine months after the end of the financial year and adopt an oversight report containing the council's comments on the annual report;

5. The oversight report as adopted be made public;

6. The annual report as tabled and the Council's oversight report be forwarded to the Auditor-General, the Provincial Treasury and the department responsible for local government in the Province; and

7. The annual report as tabled and the Council's oversight report are sub-mitted to the Provincial legislature.

The oversight report to be adopted provides the opportunity for full Council to review the performance of the MLM. The requirement that the annual report once tabled and the oversight report be made public similarly provides the mechanism for the general public to review the performance of the MLM.

The Council may also resolve that annually a public campaign be embarked upon to involve the citizens of the MLM in the review of municipal performance over and above the legal requirements of the Municipal Systems Act and the MFMA. Such a campaign could involve all or any combination of the following methodologies:

- Various forms of media including radio, newspapers and billboards could be used to convey the annual report;
- The public may be invited to submit comments on the annual report via telephone, fax and e-mail;
- Public hearings could be held in a variety of locations to obtain input of the annual report;
- Making use of existing structures such as ward and/or development committees to disseminate the annual report and invite comments; and
- Hosting a number of public meetings and road-shows at which the annual report could be discussed and input invited.

The following table is derived from the legislative framework for performance management and summarises for ease of reference and understanding the various performance reporting as it applies to the MLM:

REPORT TYPE	DESCRIPTION
Quarterly IDP and SDBIP Reporting	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. 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. 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).
Mid-year Budget and National and Provincial Report	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.
Performance Report	Section 46 of the Municipal Systems Act states that a municipality must pre-pare for each financial year, a performance report that reflects the following: – 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/indicators to be taken to improve on the performance. 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.

Annual Report	Every municipality is required by Section 121 of the MFMA and National Treasury Circular 63 to prepare an annual report for each financial year, which must include: – 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); – 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; – any recommendations of the municipality’s performance audit committee; – 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; – the annual performance report prepared by a municipality; and – any other information as may be prescribed.
Oversight Report	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 of the MFMA, 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: – has approved the annual report with or without reservations; – has rejected the annual report; or – has referred the annual report back for revision of those components that can be revised. In terms of Section 132 of the MFMA, 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: – the annual report (or any components thereof) of each municipality and each municipal entity in the province; and – all oversight reports adopted on those annual reports.

6.8.3 Schedule for Performance Reviews

The performance of the employee in relation to his/her Performance Agreement must be reviewed in accordance with the following schedule.

Quarterly performance appraisals shall be conducted for all contracted/permanent employees no later than two weeks after the end of the last month of the quarter for which the appraisal is being done.

First Quarter	July to September	3rd week in Oct
Second Quarter	October to December	3rd week in Jan
Third Quarter	January to March	3rd week in April
Fourth Quarter	April to June	3rd week in Jul

The quarterly appraisal shall be performed:

1. Between the employee and his/her immediate superior.
2. The appraisal shall be based on actual achievement of the indicators agreed for each deliverable or target.
3. The employer must keep a record of the quarterly assessment meetings.
4. Performance feedback must be based on the employer's assessment of the employee's performance and supporting Portfolio of Evidence (PoE).

The employer will be entitled to review and make reasonable changes to the provisions of the performance plan from time to time for operational reasons on agreement between both parties.

The performance reporting timetable is summarised as follows:

Reporting Period	Report Due	Target Date
Quarter 1	Q1 Performance Assessment (MFMA - Section 52(d)-performance report	3rd week Oct
Quarter 2	Q2 Performance Assessment (MFMA - Section 52(d)-performance report	3rd week Jan
Mid-year Performance Assessment	Mid-year Performance Assessment Report (MFMA - Section 72-performance report)	25 Jan
Quarter 3	Q2 Performance Assessment (MFMA – Section 52(d)-performance report)	3rd week Apr
Quarter 4	Q4 Performance Assessment (MFMA – Section 52(d)-performance report)	3rd week Jul
Annual Report to AG	MSA - Draft Annual Report MSA – Section 46 – Annual Performance Report	31 Aug
Quarter 1	Q1 Performance Assessment (MFMA – Section 52(d)-performance report	3rd week Oct
Annual Report	Final Annual Report adopted by Council including the MPAC Oversight Report	Jan
Annual Report	Public Participation	Feb

7. Performance Management Process

7.1 Municipal Level

The MLM organisational performance management system can be defined as the planning process whereby the MLM set the strategic agenda, vision and mission, as well as strategic objectives and development objectives for the upcoming financial year/s, and the desired performance results. Performance management at organisational level involves various phases:

7.1.1 Phase 1: Planning

The Integrated Development Planning process and the Performance Management Process should appear to be seamlessly integrated. The IDP fulfils the planning stage of performance management. Performance management fulfils the implementation management, monitoring and evaluation of the IDP process.

7.1.2 Phase 2: Priority Setting

In setting priorities, the municipality should *inter alia* consider the following:

1. An assessment of development in the municipal area, identifying development challenges and the status quo of the underdeveloped areas;
2. A long-term development vision for the municipality to address its development challenges;
3. A set of KPAs, strategic objectives and development objectives, based on identified needs, achievable in the current term of office, that would contribute significantly to the achievement of the development vision for the area;
4. A set of internal transformational objectives;
5. Additional projects and programmes identified in contributing to the achievement of the above objectives;
6. A financial plan and medium term income and expenditure framework that is aligned to the priorities of the municipality; and
7. A spatial development framework.

To be useful in the management of performance, the IDP must provide very clear indicators by which to measure the achievement of the objectives and unambiguous targets for those indicators.

7.1.3 Phase 3: Setting Objectives

All components of the IDP need to be translated into a set of clear and tangible development objectives (PDOs). This is a crucial stage in ensuring that there is clarity on the IDP and that the suitable indicators are found. A clear and concise construction of statement of objectives is needed. The statement requires a tangible, measurable and unambiguous commitment to be made. It is often useful to have a clear timeframe attached to this commitment in objective statement.

7.1.4 Phase 4: Setting Key Performance Indicators

KPIs are measurements that tell us whether progress is being made in achieving our objectives. Indicators should describe performance dimension considered key in measuring performance. The ethos of performance management as implemented in local governments and captured in the Municipal

Systems Act and Municipal Planning and Performance Management Regulations rely centrally on the use of Key Performance Indicators.

7.1.5 Phase 5: Setting Targets

The municipality should have clear objectives for its IDP and identified appropriate indicators. Targets are purely objectives or milestones for what we intend an indicator to measure at various timeframes. Performance targets are planned level of performance or milestones the MLM sets for itself for each indicator identified. Targets are usually expressed in quantity or time terms.

7.1.6 Phase 6: Monitoring

Monitoring is a continuous process of measuring, assessing, analysing and evaluating the performance of the organisation and departments with regard to KPIs and targets. Mechanisms, systems and processes for monitoring should provide for reporting at least twice per annum to the MLM council and the community, it should enable detection of early indication of under-performance and provide for corrective measures/indicators.

7.1.7 Phase 7: Review

Review includes assessment of the system itself, the framework, targets and performance targets of departments and performance measurement of employees. It identifies the strengths, weaknesses, opportunities and threats of the municipality in meeting key performance indicators, performance targets and general key performance indicators. It also measures/indicators the economy, efficiency, effectiveness in the utilisation of resources and impact in so far as performance indicators and targets set by the MLM are concerned.

Performance improvement and adjustment is based on review. The MLM should ensure that the community participates in review.

The organisational performance management processes have the following phases:

1. Performance planning;
2. Performance monitoring & reporting,
3. Performance reviewing (evaluation & assessment); and
4. Performance auditing.

7.2 Individual Level (Directors, Deputy Directors & Assistant Directors)

The Employee performance management system can be defined as the process through which the planned performance objectives as defined in the IDP are cascaded into the employee's Annual Performance Plans, thus allowing for the planning, coaching and monitoring, reviewing and rewarding of performance, and the enhancement of development, at the level of the individual employee. The process comprises of four phases:

7.2.1 Phase 1: 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 KFA'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).

7.2.2 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 timely 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 and the standards that have been set in advance. During this phase it is also important to provide and present any evidence proving performance.

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

7.2.3 Phase 3: Reviewing

This phase involves jointly assessing performance against expectations (planned vs. actual performance) at mid-year and year-end. T**he Manager/Supervisor is to set up formal quarterly reviews to assess the relevance of the objectives and the Employee's performance against the objectives and a formal final review in June.**

- **The process for reviewing performance is as follows:**

  1. The evaluated employee to submit all required PoE to the manager;
  2. The evaluated employee to prepare for the formal review by scoring him/herself against the agreed objectives and KPIs and targets;
  3. The evaluated employee to submit the PoE;
  4. The assessor/panel and evaluated employee will meet to finalise the formal performance review and agree on the final scores.
  5. The assessor/panel to prepare final scores of the evaluated employee's performance.

Should the evaluated employee not agree with the outcome of his/her performance results, they may follow the dispute procedure as outlined in the Regulations for Section 57 employees and other employees to follow the MLM dispute resolution process.

The assessor/panel and evaluated employee must prepare and agree to a Personal Development Plan (PDP). This only needs to be done at the final review in June in conjunction with the annual skills efficiency analysis review.

- **The Evaluation Panel for reviewing performance**

  According to the Municipal Performance Management Regulations, 2006, Regulation 27(4)(d) stipulates that:

  - For purposes of evaluating the Municipal Manager:

    - Executive Mayor;
    - Chairperson or delegated member of the Performance & Audit Committee;
    - Members of the Mayoral Committee (MC);
    - Mayor and/or municipal manager from another municipality; and/or external specialist nominated by the Executive Mayor;
    - One ward committee member as nominated by the Executive Mayor.

- For purposes of evaluating the annual performance of managers directly accountable to the municipal managers:

  - Municipal Manager;
  - Chairperson or delegated member of the Performance & Audit Committee;
  - Relevant Member of the Mayoral Committee (MMC); and
  - Municipal Manager from another municipality and/or external specialist nominated by the Executive Mayor and/or Municipal Manager.

- For purposes of evaluating the annual performance of managers and specialists, an evaluation panel constituted of the following persons must be established:

  - Head of Department (Implementation phase)
  - Supervisor/Line Manager;
  - Employee; and
  - PMS specialist.

7.2.4 Phase 4: Year-End Review and 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 and ultimately financial rewards will be determined through the National Collective Bargaining process at South African Local Government Bargaining Council (SALGBC).

8. Performance Auditing

8.1 The Role of Internal Audit in terms of Performance Management

The MFMA requires that the Municipality must establish an internal audit section which service could be outsourced depending on its resources and specific requirements. Section 45 of the Municipal Systems Act stipulates that the results of the Municipality's performance measures/indicators must be audited by the said internal audit section as part of the internal auditing process and annually by the Auditor-General.

The Municipal Planning and Performance Management Regulations stipulate that the internal audit section must on a continuous basis audit all performance and the auditing must include an assessment of the following:

- The functionality of the municipality's performance management system;

- Whether the municipality's performance management system complies with the Act; and

- The extent to which the municipality's performance measurements are reliable in measuring the performance of municipalities by making use of indicators.

8.1.1 Functionality

Function could be defined as a proper or expected activity or duty or to perform or operate as expected. This could also be applied to the operation of any system such as PMS. The internal audit section must therefore on a regular (quarterly) basis audit whether the PMS of the MLM is functioning as developed and described in this framework.

8.1.2 Compliance

The MLM PMS must comply strictly with the requirements of the Systems Act, Regulations and the MFMA. The MLM's internal audit unit, at least on a quarterly basis, verifies that the PMS complies with the said legal requirements.

8.1.3 Reliability

To rely could be defined as to trust or depend (upon) with confidence. Reliability in the context of PMS refers to the extent to which any performance measures/indicators reported upon could be seen as being reliable, e.g. if the performance target was to build 500 houses and it is reported that the target has been met or exceeded, it must be established whether the information is factually correct or only an estimation or even worse, purposeful misrepresentation.

Undertaking a reliability audit will entail the continuous verification of performance measures/indicators and targets reported upon. This will require that the MLM sets in place a proper information management system (electronically or otherwise) so that the internal audit section is able to access information regularly and to verify its correctness. The MLM's internal auditor must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

8.2 Audit, Performance, Integrity & Risk Management Committee

The MFMA and the Municipal Planning and Performance Management Regulations require that the municipal council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No Councillor may be a member of an audit committee. Council must also appoint a chairperson who is not an employee. The Regulations gives municipalities the option to establish a separate performance audit committee whereas the MFMA provides only for a single audit committee. The operation of this audit committee when dealing with performance management is governed by Section 14 (2 - 4) of the Regulations which require that the audit committee must:

1. Review the quarterly reports submitted to it by the internal audit unit;
2. Review the municipality's PMS and make recommendations in this regard to the Council of the Municipality; and
3. At least twice during a financial year submit an audit report to the municipal Council;

In order to fulfil their function a performance audit committee may, according to the MFMA and the Regulations,

1. Communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned;
2. Access any municipal records containing information that is needed to perform its duties or exercise its powers;
3. Request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
4. Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

9. General Performance Management Issues

There are some general issues related to performance management that require consideration in implementing the PMS of the Municipality.

9.1 Managing Poor Performance

Should an employee not achieve the predetermined objectives (PDOs), indicators and targets in his/her performance agreement, the manager and the employee should agree on corrective measures. (It is inappropriate that an employee is informed of his/her non-performance at the formal performance review). Employees **must** be given feedback throughout the year.

9.1.1 Early Warning Mechanisms

The municipality's 1st quarter performance report should be used as an early warning mechanism to determine whether the annual developed objectives, KPIs and targets will be achieved. The departments should review mechanisms to improve its performance and indicate to the internal audit and Performance & Audit Committee how they intend to improve performance.

9.1.2 Addressing Poor Performance

The management of poor performance should be seen as a corrective process, focusing on addressing issues that lead to performance related problems. Counselling is seen as the first corrective process, which should include the following:

1. Identify and agree on the problem;
2. Describe the impact of the poor performance;
3. Establish reasons for performance;
4. Decide and agree on what actions are required, and set the necessary timeframes; and
5. Resource the agreed actions.

Depending on the outcome of the assessment, Council may take:

1. Remedial Action
2. Re-training/training
3. Mentory Action
4. Retrenchment Actions/termination actions

9.1.3 Consequence Management for Non-Performance

Poor work performance must be dealt with in accordance with Item 9 of Schedule 8 of the Labour Relations Act.

The guidelines in terms of Item 9 determines cases of dismissal for poor work performance:

Any person determining whether a dismissal for poor work performance is unfair should consider-

(a) whether or not the employee failed to meet a performance standard; and

(b) if the employee did not meet a required performance standard whether or not:

   (i) the employee was aware, or could reasonably be expected to have been aware, of the required performance standard;

   (ii) the employee was given a fair opportunity to meet the required performance standard; and

   (iii) dismissal was an appropriate sanction for not meeting the required performance standard.

9.2 Reward and Recognition

9.2.1 Non-Financial Rewards

Non-financial reward is based on recognising high performance in ways other than financial reward.

Such recognition could be based on the following three approaches:

- ***Informal -*** These are spontaneous and can be implemented with minimal planning and effort, e.g. calling an employee into the office and thanking him/her for a job well done and not discussing anything else.

- ***Awards for specific achievements and activities -*** These are tailored to reward specific achievements and behaviours desired most in the organisation, e.g. long service awards, monthly awards, etc.

- ***Formal –*** *If t*he municipality has formal recognition programmes, some may be used to formally acknowledge (in public) significant contributions by individuals and teams, e.g. annual mayor's awards for excellence, etc.

9.2.2 Performance Bonuses

In view of the promulgation of Regulations providing for the recruitment, selection and appointment of Senior Managers (Government Gazette 37245, Local Government: Regulation on Appointment and Conditions of Employment of Senior Managers, Section 35, 17 Jan 2014), the policy is amended to the extent to provide for the payment of performance bonuses to Senior Managers appointed in terms thereof and in accordance with the directives in such Regulations and any applicable prescripts on performance management (Government Gazette 43122, Local Government: Upper Limits of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Managers, 20 March 2020).

The annual performance score of an individual is calculated based on the Service Delivery & Budget Implementation Plan (SDBIP), Key Performance Indicators (KPIs) results and core competencies rating added together to give a total score. This total score is converted by the assessment-rating calculator (in terms of the Regulations) for performance management and bonus purposes.

Paragraph 32 of the Regulations provides that 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.

In determining the performance bonus the relevant percentage is based on the overall rating, calculated by using the ***applicable assessment-rating calculator***; provided that:

- a score of 130% to 149% is awarded a performance bonus ranging from **5% to 9%;** and
- a score of 150% and above is awarded a performance bonus ranging from **10% to 14%.**

In the case of ***unacceptable performance*** (score between 0 – 99%), the employer shall:

- provide systematic remedial or developmental support to assist the employee to improve his or her performance; and
- after appropriate performance counselling and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and performance doesn't improve, the employer may consider steps to terminate the contract of employment of the employee on grounds of unfitness or incapacity to carry out his or her duties.

9.2.3 Allocation of Bonus

The table below provides for the threshold for the allocation of bonus and institution of poor performance management measures/indicators depending on the level of performance expressed in percentages in line with the regulations above.

The second column also provides actual thresholds for the payment of bonus.

Key terminology used in the Regulations is outstanding performance and unacceptable performance. A performance score of 130% and above will constitute "outstanding performance". A performance score between 100 – 129 % is deemed as "not fully satisfactory" and no bonus will be considered. A performance score between 0 – 99 % is deemed as "unacceptable" and will be dealt with in terms of the Poor Performance Management Programme.

LEVELS OF PERFORMANCE OUTCOME	
SCORE	**BONUS ALLOCATION**
>100%	Unacceptable
>130%	Underperforming
130% - 134%	5 – 6%
135% - 139%	7%
140% - 144%	8%
145% - 149%	9%
150% - 155%	10% - 14%

Where a manager acted in a position for a period longer than 3 months pro-rata bonuses may be considered. This will be within the discretion of the Municipal Manager (in the case of managers reporting to him/her) and Executive Mayor (in the case of the Municipal Manager).

9.3 Dispute Mechanism

The procedure for dealing with substandard performance is prescribed in Regulation 16 of the Disciplinary Regulations for Senior Managers.

The Municipal Performance Management Regulations for Section 57 managers provide clear guidelines for performance disputes relating to the performance agreements of the municipal manager and managers directly accountable to the municipal manager. Below is the process of dispute as it relates for Section 57-employees performance agreements as stipulated in the said regulations.

Any disputes about the nature of the Employee's performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/ or any other matter provided for, shall be mediated by:

- In the case of the municipal manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC ; and
- In the case of managers directly accountable to the municipal manager, the executive mayor or mayor within thirty (30) days of receipt of a formal dispute from the employee;

In the event that the mediation process contemplated above fails, the relevant clause of the Contract of Employment shall apply.

The following process relates to dispute relating to employees below Section 57-employees:

- Conducting performance counselling in case of poor performance;
- If counselling does not yield results, employees are put on performance improvement process with action plan and clear timelines; and
- If performance does not improve, disciplinary process will be initiated, as per the mentioned Disciplinary Regulations.

9.4 Integrating PMS with the Council's existing Management Cycle

Leading practice indicates that PMS stand the best chance to succeed if it is integrated with the current management cycle of the Municipality. The purpose of such a cycle would be to guide the integration of important processes such as the strategic planning or development process in terms of the IDP methodology, the annual budget process and the formal process of evaluating and assessing Council's performance in terms of the approved PMS and this framework and it is recommended that the Municipality develop and adopt a similar cycle that is suitable to its own circumstances and requirements.

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