

REPORT FOR CONSIDERATION BY THE EXECUTIVE MAYOR IN CHAMBERS

2024/2025 REVIEWED PERFORMANCE MANAGEMENT POLICY – MARCH 2024

REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

In order to further enhance the implementation of performance management within the organisation, the Reviewed Performance Management Policy is hereby presented to the Municipal Council for adoption.

PREVIOUS RESOLUTIONS

C07/07/21

BACKGROUND

On 28 May 2020 Council adopted a Performance Management Policy, since the adoption of said policy, no supplementary additions were identified.

At an Ordinary Council meeting held on 29 July 2021, Council unanimously resolved that the Reviewed Performance Management Policy, dated July 2021, be submitted to the Financial and Corporate Services Committee for further discussion. No supplementary additions were acknowledged and effected in the Policy and therefore were not submitted to the Section 80 Committee.

With the increased oversight from the Internal Auditors, the Auditor-General of South Africa, and the Departments: National and Provincial Treasury, it is imperative that the Municipality reviews its Performance Management Policy to cater to the various facets of the performance management cycle in which a steady growth in the municipality's maturity is evident.

DISCUSSION

Performance Management enables the Municipality to monitor the implementation of its Budget and Integrated Development Plan. Effective performance management is key for service delivery to the community. In recent years, local government has undergone major transformational improvements and development, it is thus imperative that a continuous need to expand a culture of performance throughout the organisation, exists, for improved accountability, good governance, and the provision of basic services, as guided by the legislation and this Performance Management Policy.

FINANCIAL IMPLICATIONS

N/A

RELEVANT LEGISLATION

- The Constitution of the Republic of South Africa, 1996
- Local Government: Municipal Systems Act, No. 32 of 2000
- Local Government: Municipal Planning and Performance Regulations, 2001

RECOMMENDATION OF THE MUNICIPAL MANAGER

That the Municipal Council adopts the Reviewed Performance Management Policy for the 2023/2024 and 2024/2025 financial years.

APPENDIX / ADDENDUM

2023/2024/25 Reviewed Performance Management Policy - March 2024

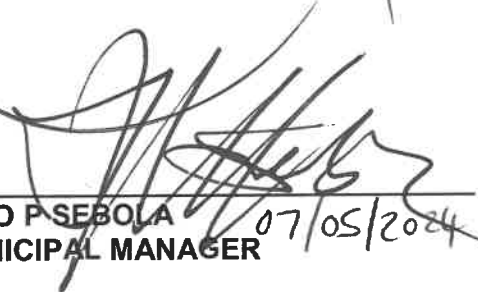
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Execution: Municipal Manager

**APPROVED IN TERMS OF DELEGATED AUTHORITY PROVIDED BY COUNCIL
RESOLUTION DATED 2 APRIL 2024 (C12/03/2024 COUNCIL IN RECESS: PERIOD 3
APRIL 2024 TO 3 JUNE 2024 FOR GENERAL NATIONAL- & PROVINCIAL ELECTIONS)**



**CLLR N A TSENGWA
EXECUTIVE MAYOR**



**MR O P SEBOLA
MUNICIPAL MANAGER**

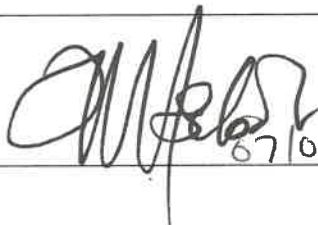
07/05/2024



Knysna

Municipality Munisipaliteit uMasipala

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Policy Name	Performance Management Policy
Original Authors (s)	Institutional Performance Management and Integrated Development Planning
Policy Status	Review Previous version: July 2021, Council Resolution (C07/007/2021)
Council Resolution	
Signature of the Municipal Manager	 07/05/2024

March 2024

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Acronyms

AG	The Auditor General of South Africa
CCR	Core Competency Requirement
CMC	Core Managerial Competencies
ED	Economic Development
IDP	Integrated Development Plan
KPA	Key Performance Areas
KPI	Key Performance Indicators
LED	Local Economic Development
MEC	Member of the Executive Council
MFMA	Local Government: Municipal Financial Management Act, No. 56 of 2003
MSA	Local Government: Municipal Systems Act, No. 32 of 2000
MTEF	Medium Term Economic Framework
MTREF	Medium Term Revenue and Expenditure Framework
OPCAR	Operation Clean Audit Report
PDO	Predetermined Objectives
PDP	Personal Development Plan
PM	Performance Management
PMS	Performance Management System
PoE	Portfolio of Evidence
PR	Priorities
SALGA	South African Local Government Association
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SFA	Strategic Focus Area
SLA	Service Level Agreement
SMART	Specific, Measurable, Achievable, Realistic, Time-frame/Time-bound
SO	Strategic Objective
SoP	Standard operating Procedure

TASK	Tuned Assessment of Skills and Knowledge
TL SDBIP	Top Layer Service Delivery Budget Implementation Plan
WSP	Workplace Skills Plan

Definitions

TERM	DESCRIPTION
Accounting Officer	(a) <i>in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Systems Act; or</i> (b) <i>in relation to a municipal entity, means the official of the entity referred to in section 93, and includes a person acting as the accounting officer</i>
Annual Report	In relation to a municipality or municipal entity, means an annual report contemplated in terms of Section 121 of the Local Government: Municipal Finance Management Act
Auditor-General	The person appointed as Auditor-General in terms of Section 193 of the Constitution, and includes a person- (a) <i>acting as Auditor-General</i> (b) <i>acting in terms of a delegation by the Auditor-General; or</i> (c) <i>designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General</i>
Backlogs	A backlog can be defined as quality of service/goods that have accumulated over time that are still undelivered/unattended/still not produced. The backlogs in rural water, sanitation and electricity have been defined in official census figures, but vary (increase or decrease) from year to year due to migration patterns. Regardless, these backlogs are now being dealt with systematically (refer to baseline).
Baseline	The accurate and quantitative data at a stated point in time that marks the beginning of a trend
Basic Municipal Service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment
Councillor	A member of a municipal council
Employer	The municipality employing a person as a municipal manager or as manager directly accountable to a municipal manager and as represented by the mayor, executive mayor or municipal manager as the case may be;
Employment Contract	A contract as contemplated in Section 57 of the Local Government: Municipal Systems Act
External Service Provider	An external mechanism referred to in Section 76(b) of the Municipal Systems Act; which provides a municipal service for a municipality

TERM	DESCRIPTION
Financial Statements	In relation to municipality or municipal entity, means statements consisting of at least- (a) a statement of financial position; (b) a statement of financial performance; (c) a cash-flow statement; (d) any other statements that may be prescribed; and (e) any notes to these statements
Financial year	The financial year of municipalities that end on 30 June of each year
Input Indicator	An indicator that measures the costs, resources and time used to produce an output
Integrated Development Plan	The key strategic municipal business plan envisaged in Section 25 of the Local Government: Municipal Systems Act
Local Community or Community	In relation to a municipality, means that body or persons comprising – (a) the residents of the municipality (b) the ratepayers of the municipality (c) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality
Mayor	(a) municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or (b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act
MEC for Local Government	The Member of the Executive Council (MEC) responsible for local government in a province
Minister	The national Minister responsible for local government
Municipal Council or Council	A municipal council referred to in Section 157(1) of the Constitution of the Republic of South Africa
Municipal Entity	(a) a company, co-operative, trust fund or any other corporate entity established in terms of any applicable national or provincial legislation ward which operates under the ownership control of one or more municipalities, and includes, in the case of a company under such ownership control, any subsidiary of that company, a private company referred to in section 86B(1)(a); or (b) a service utility (c) a multi-jurisdictional service utility
Municipal Finance Management Act	The Local Government: Municipal Finance Management Act, No. 56 of 2003, and any regulations enacted from the Act

TERM	DESCRIPTION
Municipal Manager	A person appointed in terms of Section 82 of the Local Government: Municipal Structures Act
Municipal Service	Has the meaning assigned to it in Section 1 of the Local Government: Municipal Systems Act
Municipal Structures Act	The Local Government: Municipal Structures Act, No. 117 of 1998
Municipal Systems Act	The Local Government: Municipal Systems Act, No. 32 of 2000
Municipality	<i>(a) an entity, means a municipality as described in section 2; and (b) a geographical area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, No. 27 of 1998</i>
Outcome Indicator	An indicator that measures the quality and/or impact of an output on achieving a particular objective
Output Indicator	An indicator that measures the results of activities, processes and strategies of a program of a municipality
Parent Municipality	<i>(a) in relation to a municipal entity which is a private company in respect of which effective control vests in a single municipality, means that municipality; (b) in relation to a municipal entity which is a private company in respect of which effective control vests in two or more municipalities collectively, means of those municipalities; (c) in relation to a municipal entity which is a service utility, means the municipality which established the entity; or (d) in relation to a municipal entity which is a multi-jurisdictional service utility, means each municipality which is a party to the agreement establishing the service utility</i>
Performance Agreement	An agreement as contemplated in Section 57 of the Local Government: Municipal Systems Act
Performance Plan	A part of the performance agreement which details the performance objectives and targets that must be met and time frame within which these must be met.
Political Office Bearer	The speaker, executive mayor, mayor, deputy mayor or member of the executive committee as referred to in the Municipal Structures Act
Political Structure	In relation to a municipality, means the council of the municipality or any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Local Government: Municipal Structures Act

TERM	DESCRIPTION
Portfolio of Evidence	Records that prove the validity, accuracy and completeness of achieved performance provided for audit purposes.
Prescribe	Prescribe by regulation or guidelines in terms of Section 120 and “prescribed” has a corresponding meaning
Private Company	A company referred to in Section 19 and 20 of the Companies Act, No. 61 of 1973
Resident	In relation to a municipality, means a person who is ordinarily resident in the municipality
Section 57 Employee	A person employed by a municipality as a municipal manager or as a manager directly accountable to a municipal manager in terms of Section 56 of the Local Government: Municipal Systems Act;
Senior Manager	(a) <i>in relation to a municipality, means a manager referred to in Section 56 of the Local Government: Municipal Systems Act; or</i> (b) <i>in relation to a municipal entity, means a manager directly accountable to the chief executive officer of the entity</i>
Service Authority	The power of a municipality to regulate the provision of a municipal service by a service provider
Service Delivery Agreement	An agreement between a municipality and an institution or person mentioned in Section 76(b) of the Local Government: Municipal Systems Act in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality
Service Delivery and Budget Implementation Plan	A detailed plan approved by the mayor of a municipality in terms of Section 53(1)(c)(ii) of the Municipal Finance Management Act for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate – (a) <i>projections for each month of –</i> (i) <i>revenue to be collected, by source; and</i> (ii) <i>operational and capital expenditure, by vote;</i> (b) <i>service delivery targets and performance indicators for each quarter; and</i> (c) <i>any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of Section 54(1)(c) of the Local Government: Municipal Finance Management Act</i>
Service Utility	A municipal entity established in terms of Section 82(1)(c), a body established in terms of Section 86H of the Local Government: Municipal Systems Act

TERM	DESCRIPTION
SoP (Standard operating Procedure)	The description of recurring work that is to be conducted within a directorate, department, section, etc.
Staff	In relation to a municipality, means the employees of the municipality, including the municipal manager
Ward Committee	A ward committee established in terms of Section 73 of the Local Government: Municipal Structures Act

1. Introduction

Performance Management is a strategic process, measuring implementation of the organisation development and growth strategic management. It equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques for regularly planning, continuously monitoring, and periodically measuring and reviewing the performance of the Municipality in terms of indicators and targets for efficiency, effectiveness and economy.

Performance Management enable Municipalities to monitor implementation of their Integrated Development Plans, improve their operations and annually review overall organisation performance in accordance with the Local Government: Municipal Systems Act No. 32 of 2000.

Performance management forms the basis for alignment of the Knysna Integrated Development Plan (IDP) with departmental operational business plans, performance areas and performance indicators of the institution. Performance Management provides the vital link to determine whether the Municipality is delivering on its objective and provide early warning signals to managers on areas where corrective action is required.

This Performance Management Policy describes and represents how the Municipality's cycle and processes of performance planning, monitoring, measuring, reviewing, reporting and improvement will be conducted, organised and managed.

2. Objective of the Policy

The aim of the Performance Management Policy is:

- To provide a clear overview and description of the Performance Management system;
- To clarify the role of the Performance Management System within the Municipality;
- to guide the implementation and functioning of both the Organisational and Individual Performance Management system;
- To task individuals with regards to Performance Management;
- To give effect to the legislative obligations of the Municipality in a transparent and focused manner;
- To incorporate the performance management processes applicable to Directors and how these relate to and link with the system in a holistic, institution wide policy;
- To provide a firm foundation from which to steer the process of performance management through all phases of implementation and devolvement; and
- To link the IDP, the Budget and a Performance Management System in a cycle of prioritised, affordable and accountable municipal planning and effective service delivery involving all staff and the local community.

3. Objectives of the Performance Management System

As a developing Municipality, Knysna Local Municipality seeks to create an efficient and effective Performance Management System to:

- Translate its vision, mission and IDP into clearly measurable outcomes, indicators and performance levels that define success, and that are shared throughout the Municipality and with its customers and stakeholders;
- Provide a tool for assessing, managing, and improving the overall health and success of business processes and systems;
- Continue to shift from prescriptive and simply audited oversight to ongoing, forward-looking and compliance-based strategic partnerships involving communities, citizens and other stakeholders;
- Promote accountability;
- Include measures of quality, cost, speed, customer service, and employee alignment, motivation, and skills to provide an in-depth, performance management system;
- Provide services in an efficient, effective and economic manner;
- Understand the role, duties and responsibilities of employees;
- Implement focused management linked to an early warning system; and
- Adequate provision for community consultation and the opportunity to have a clearer insight in the performance of the municipality.

4. Legislative Framework

This Performance Management Policy has been developed in accordance with the prescriptions of promulgated local government legislation, regulations and other guidelines. Specifically, the following are relevant to the development of this Performance Management Policy -

- Constitution of the Republic of South Africa (1996)
- White Paper on Local Government (1998) and Batho Pele (1998)
- The Local Government: Municipal Structures Act No. 117 of 1998 and its amendments
- The Local Government: Municipal Systems Act, No. 32 and its amendments (MSA)
- The Local Government: Financial Management Act, No. 56 of 2003 and its amendments (MFMA)
- The Local Government: Municipal Planning and Performance Regulations, 2001
- The Local Government: Municipal Performance Regulation for Municipal Managers and Managers directly accountable to Municipal Managers, 2006
- Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014
- Public Administration Management Act 2014 / Gazette No.38374. Government Notice No.1054
- Notice 464: Directive: Performance information public audit act (2007)
- MFMA Circulars: (11: Annual Report / 13: SDBIP / 32: Oversight Report)

- MFMA Circulars: (42: Funding budget / 54: Municipal budget / 63: Annual Report Update)
- National Treasury: 2007 Framework for managing performance information

5. Performance Management Accountability

5.1 Local Community

The Municipal Systems Act (Sections 45 & 46) and the Municipal Planning and Performance Management Regulations (No. R796 of 2001, Section 14) make explicit provision for the involvement of the local community in the performance management process. Section 42 of the MSA states that the Municipality:

- “(a) “...must involve the local community in the development, implementation, and review of the Municipality’s performance management system, and in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets for the Municipality’;
- (b) Because the intention of the performance management system is to ensure the practical implementation of the IDP, it is suggested that it would be appropriate that the Local IDP Structures/ Representative Forums and Ward Committee Structures be utilised to facilitate the involvement of the local community in the performance planning and performance review processes; and
- (c) The community and stakeholders of the Municipality will be engaged in a number of ways as defined in the Municipality’s Communication Policy.

5.2 Municipal Council

The Municipal Council adopts and approves the following:

- A process to guide the planning, drafting, adoption and review of the IDP;
- The IDP including organisational indicators and targets;
- Changes to the IDP, organisational indicators and target;
- The organisational Performance Management System (PMS);
- Performance monitoring, review and oversight mechanisms and structures;
- Adopts performance management policy and system;
- Approval of performance bonuses of section 57 Managers;

5.3 Executive Mayor

The functions performed by the Executive Mayor includes however not limited to the following:

- Identifies, reviews and evaluates the municipalities needs in order of priority;
- Recommend to the Council strategies, projects and services to address priorities through the IDP;

- Responsible for the management of the performance management system and submits to the Municipal Council for adoption;
- Draft performance agreement, including measurable key performance indicators and targets for the Municipal Manager;
- Facilitate quarterly performance evaluation of the Municipal Manager;
- Ensures the performance agreements of section 57 employees are made public;
- Approves the organisational SDBIP and the municipality projects as per the IDP; and
- Presents the Annual Report to the Municipal Council.

5.4 Municipal Manager

The functions performed by the Municipal Manager includes however not limited to the following:

- Provide strategic direction and develop strategies and policies for the organisation;
- Manage the development and implementation of the IDP;
- Manage the implementation of the IDP and Performance Management System;
- Monitor the implementation of IDP and Performance Management System, identifying risks early;
- Development of the performance management system; Identify indicators and set targets;
- Submission of draft SDBIP to the Executive Mayor for approval;
- Draft performance agreements, including measurable key performance indicators and targets for Section 57 employees and performance development plans for lower level staff;
- Facilitate formal quarterly performance evaluation of the Section 57 Managers (Directors);
- Ensure that regular monitoring, measurement, analysis of performance information and ensure performance reporting is done in terms of legislation;
- Propose response strategies to the Mayor and/or the Municipal Council; and
- Co-ordinate the compiling of the Annual Report.

5.5 Section 57 Managers

- Assisting in providing strategic direction and developing strategies and policies for the organisation;
- Assist the Municipal Manager with the development and implementation of the IDP;
- Ensure that performance agreements are inclusive and that mandatory KPI's are included as per legislative requirements;
- Ensure that performance information complies with the SMART principles and audit standards of the Auditor General;
- Ensure that accurate, reliable and evidenced performance results are provided for performance measures on a quarterly basis;
- Ensures that evidence to support the performance achievements is collected, stored and submitted for internal and external audit purposes;

- Draft performance agreements, including measurable key performance indicators and targets for immediate subordinates (Department Heads / Managers) and performance development plans for lower level staff where applicable; and
- Formal bi-annual performance evaluation of immediate subordinates (Department Heads / Managers) lower level staff where applicable.

5.6 Department Heads / Managers / Sub Directorate Heads

- Ensure that performance agreements are inclusive and that mandatory KPI's are included as per legislative requirements;
- Ensure that performance information complies with the SMART principles and audit standards of the Auditor General;
- Ensure that accurate, reliable and evidence-based performance results are provided to the relevant director for performance measurement on a quarterly basis;
- Ensures that evidence to support the performance achievements is collected, stored and submitted for internal and external audit purposes;
- Draft performance agreements, including measurable key performance indicators and targets for immediate subordinates and performance development plans for lower level staff where applicable; and
- Formal bi-annual performance evaluation of all employees within the department.

5.7 Performance Management Unit / Performance Management Officer

- The delegated PMS Officer/Manager Performance Management Officer are required to co-ordinate and ensure good quality of performance reporting and reviews on an ongoing basis;
- It is this Manager/Officer's role to ensure conformity to reporting formats and verify the reliability of reported information, where possible (Pre-Audit of performance information);
- The Municipal Manager must review overall performance quarterly while the PMS Manager/Officer should support him/her in verifying the performance data and prepare the quarterly organisational performance reports for submission to the performance audit committee;
- Render municipal wide support with updating and correcting of performance information on web-based PMS system; and
- Render municipal wide support and assistance with the drafting of individual performance agreements and performance development plans including the development of measurable individual key performance indicators and targets.

5.8 Internal audit

- Must on a quarterly basis audit the performance measurement of the Municipality; and
- Must submit quarterly internal audit reports on their audits to the Municipal Manager and the Audit Committee.

5.9 The Audit Committee

The Municipal Systems Act (Sections 45 & 46) and the Municipal Planning and Performance Management Regulations (No. R 796 of 2001, Section 14) provide clear guidelines on the formal monitoring, audit and reporting of performance of the Municipality. In terms of Regulation 14 (4) (a) the Audit Committee must:

- Review the quarterly reports compiled by the internal auditor;
- Review the PMS of the Municipality and report to the Council in this regard; and
- Submit an audit report to Council at least twice a year.

6. Automated Web-Based Performance Management System

The Municipal System Act requires the Municipality to develop and implement a Performance Management System suitable for their own circumstances. Knysna Local Municipality have implemented the IGNITE system to automate the performance management process. The Office of the Municipal Manager oversees the utilisation of this system and is primarily responsible to liaise with the relevant service provider on technical and administrative matters related to the functioning or improvement of the system.

7. Organisational Performance Management

7.1 Identification and Setting of Key Performance Indicators

The following aspects will be considered when identifying indicators:

- Development priorities and objectives set in the IDP; and
- Available financial resources.

The Municipality will set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objects as contained in its IDP. In setting these key performance indicators, the Municipality will ensure that communities are involved through the ward committee structures. The Municipality will ensure that key performance indicators inform the indicators set for all its administrative units and employees as well as every service provider with whom the Municipality has entered into a service delivery agreement.

7.2 Municipal Scorecard / Top Layer SDBIP

The Municipality implements a municipal scorecard (Top Layer SDBIP) at organisational level. The Municipal Scorecard (Top Layer SDBIP) is linked through the departmental SDBIP to all Section 57 Managers and Sub-Directorate Heads. The Municipal Scorecard allocates responsibility to directorates to deliver the services in terms of the IDP and budget and is used to evaluate the overall organisational performance. The SDBIP needs to be prepared as described in the paragraphs below and submitted

to the Executive Mayor within 14 days after the budget has been approved. The Executive Mayor needs to approve the SDBIP within 28 days after the budget has been approved.

7.2.1 Components of the Top-Layer SDBIP includes:

- One-year detailed plan, but should include a three-year capital plan
- The five necessary components include:
 - Monthly projections of revenue to be collected for each source
 - Expected revenue to be collected not billed
 - Monthly projections of expenditure (operating and capital) and revenue for each vote
 - Section 71 format (monthly budget statements)
 - Quarterly projections of service delivery targets and performance indicators for each vote
 - Non-financial measurable performance objectives in the form of targets and indicators
 - Output NOT input / internal management objectives
 - Level and standard of service being provided to the community
 - Ward information for expenditure and service delivery
 - Detailed capital project plan broken down by ward over three years

8. Monitoring and Measurement of Organisational Performance Management

8.1 Quarterly Performance Reporting and Performance Reviews

- The Municipal Manager collates the information and drafts the organisational performance report, which is submitted to Internal Audit;
- The Internal Auditors (IA) must submit quarterly audited reports to the Municipal Manager;
- The Municipal Manager submits the report to the Oversight Committee which makes a recommendation to the Municipal Council; and
- The Municipal Manager tables the quarterly performance report to the Performance Audit Committee for perusal and comment.

In terms of Section 52(d), on a quarterly basis, the Executive Mayor and Council should engage in an intensive review of municipal performance against both the directorate's scorecards and the municipal scorecard, as reported by the Municipal Manager to Council.

These reviews will take place as follows:

- Quarter 1 - October (for the period July to end of September)
- Quarter 2 - January (for the period October to the end of December)
- Quarter 3 – April (for the period January to the end of March)
- Quarter 4 - July (for the period April to the end of June)

8.2 Bi-Annual Performance Reporting and Performance Reviews

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. 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.

- The Accounting officer must by 25 January of each year assess the performance of the Municipality and submit a report to the Executive Mayor, National Treasury and the relevant Provincial Treasury;
- The Audit Committee must review the PMS and make recommendations to the Municipal Council; and
- The Audit Committee must submit a report at least twice during the year a report to the Municipal Council;

The Executive Mayor will need to ensure that targets committed to in the municipal scorecard are being met, where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the poor performance.

The review should also focus on reviewing the systematic compliance to the performance management system, by directorates, departments, Portfolio Councillors and the Municipal Manager.

The review will also include:

- An evaluation of the validity and suitability of the Key Performance Indicators and recommending any changes.
- An evaluation of the annual and 5-year targets to determine whether the targets are overstated or understated. These changes need to be considered.
- Changes to KPI"s and 5-year targets for submission to Council for approval. (The reason for this is that the original KPI"s and 5-year targets would have been published with the IDP, which would have been approved and adopted by Council at the beginning of the financial year.)
- An analysis to determine whether the Municipality is performing adequately or under-performing.

8.3 Annual Performance Reporting and Performance Reviews

Section 46 of the Municipal Systems Act states that a municipality must prepare 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 to be taken to improve on the performance

At least annually, the Executive Mayor will be required to report to the full council on the overall Municipal Performance. It is proposed that this reporting take place using the municipal scorecard in an annual performance report format as per the Municipal Systems Act. The said annual performance report will form part of the Municipality's Annual Report as per section 121 of the Municipal Finance Management Act.

9. Individual Performance Management

Organisational performance is integrally linked to that of staff. It is therefore important to link organisational performance to individual performance and to manage both at the same time, but separately. Although legislation requires that the Municipal Manager, and Managers directly accountable to the Municipal Manager, sign formal performance contracts, it is also a requirement that all employees have performance plans. These must be aligned with the individual performance plan of the head of the directorate and job descriptions. Knysna Local Municipality implements individual performance evaluation for all permanent staff.

9.1 Individual Scorecards (Municipal Manager and Section 56/57 Managers)

The Local Government Municipal Systems Act 2000 and Regulation 805 of August 2006 (Performance of the Municipal Manager and the Managers reporting directly to the Municipal Manager) require the Municipal Manager and the Managers reporting directly to the Municipal Manager to enter into annual Performance Agreements. The Performance Agreements of the Municipal Manager and other Section 56/57 Managers should be directly linked to their employment contract. These Performance Agreements consist of 3 distinct parts:

Performance Agreement: This is an agreement between the Section 56/57 Manager and the Municipality, regulating performance required for a particular position and the consequences of the performance. The Agreement deals with only one aspect of the employment relationship, namely performance. This agreement must be reviewed and renewed annually, subject to the individual's annual performance.

Performance Plan: The Performance Plan is an Annexure to the Performance Agreement and stipulates in detail the performance requirements for a single financial year. The SDBIP transcends into the Performance Plan/s of the respective Section 56/57 Managers according to their areas of responsibility.

Personal Development Plan: The plan is an Annexure to the Performance Agreement and addresses the developmental needs/requirements of the Manager indicating actions and timeframes.

Performance will be reviewed quarterly of which the mid-year and year-end performance will be formal evaluations.

9.2 Individual Scorecards (Employees in supervisory capacity)

Individuals employed in a supervisory capacity will enter into performance agreements with his or her immediate Supervisor. The data obtained from Directorate scorecards (detailed departmental SDBIP), will provide the user with the respective Individual performance contracts for Managers reporting to the Section 57 Managers.

Performance Agreements for these staff members should include the following:

- Job functions - Key focus areas for the year.
- Key performance indicators linked to the SDBIP - KPI's in the SDBIP that are the responsibility of the respective manager and KPI's aligned to the job description of the manager.
- Managerial KPI's: The core managerial competencies that the manager will be evaluated on.
- A list of the core managerial competencies (CMC's) is provided on the performance of the performance system and the manager should select between 3 and 5 CMC's. The CMC's and the measurement criteria should be agreed with the respective senior manager.
- Weightings show the relative importance of input or output against another input or output. Every input or output in the performance agreement must be assigned a weighting. The weightings / ratings and the distribution of the ratings per level need to be determined by the management team in the beginning of each financial year and agreed with the employer or group of employers.
- Development needs and learning plan which should be taken into consideration when training and development priorities are determined in the Workplace Skills Plan (WSP).

The performance objectives and targets reflected in the performance agreement are set by the employer in consultation with the employee and based on the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the Municipality, and shall include key objectives; key performance indicators; target dates and weightings. The agreements must be finalised by 31 October each year and captured on the automated performance management system.

9.3 Lower Level Staff (Staff not in supervisory capacity)

A Performance Development Plan should be agreed for all employees in this category based on the job functions and include the following:

- Qualifications: A record of formal and informal training and experience.
- Job functions: Key focus areas for the year.
- Career goals: Long term and intermediate career goals.
- Performance agreed for all employees on a specific job level.
- Performance agreed with the individual employee unique to the employees' daily tasks and job function.
- Measurable performance indicators should be designed to ensure effective and efficient service delivery (value -for-money).

- Training or other skills development needs of the employee.

A Performance Development Plan should be agreed between employer and employee. If the nature of the employee's job is team related, a supervisor can in agreement with the employee include a KPI that measures the employee's functioning within a team. The Performance Development Plan must be finalised by 31 October each year and captured on the automated performance management system.

10. Performance Assessment

Individual performance assessments will be done bi-annually and should be concluded on the automated performance management system as follows:

Period (1 July – 31 December): Due - 28 February (Annually)

Period (1 January – 30 June): Due - 31 August (Annually)

10.1 Eventuality for sick leave and maternity leave

In cases of maternity leave, the employee will be evaluated for the period they performed their duties, this score will be awarded as the final score.

10.2 Eventuality for new employees

Employees that have started service during the financial year will be evaluated, however only employees that have been in service for six months and longer within a financial year (Employees appointed after 1 July and before 1 January annually) will qualify for a performance reward pro rata for six months during their first year of employment. In such a situation only the performance evaluation outcome for the second evaluation period (1 January – 30 June) will be taken into consideration for performance rewards.

10.3 Process flow for performance assessments

- The first step in the assessment allows for self-evaluation by the employee. Employees that do not have access to computers at the workplace must be provided with a hardcopy of their performance development plans to facilitate the process of manual assessment. The signed self-assessment must be submitted to the respective supervisor for capturing on the automated performance management system.
- The second step in the assessment is the official rating of performance by the relevant Supervisor / Manager or Director. The outcome of the assessment should be discussed between the Supervisor / Manager or Director in order to clarify gaps between the self-assessment and the rating scored.
- The third step in the assessment constitutes the moderation of performance outcomes to ensure objectivity and fairness in the application of scores throughout the organisation.

10.3.1 Moderation at Sub-Directorate Level

At this level the moderation panel consist of:

- The respective Sub Directorate Head / Manager.
- All officials in a supervisory capacity that reports directly to the Sub Directorate Head.
- One representative from Human Resource Department.
- One representative from the Performance Management Unit.

Moderation of performance results at this level presents an opportunity to the Sub Directorate Head to clarify and substantiate the performance rating scored to subordinates in instances where parties are in disagreement. This process will also capacitate supervisors and broaden their knowledge and understanding with regards to performance evaluation process. It will also be expected from supervisors to inform subordinates in instances where changes were effected as a result of the moderation. This process should be finalised by the 30 September each year. On completion of the moderation at this level, the performance assessment outcome of the relevant Sub Directorate will be endorsed by the relevant Sub-Directorate Head for submission to the relevant Director for further moderation. Changes to individual performance assessment outcomes proposed at this level will not be affected on the automated performance management system.

10.3.2 Moderation at Directorate Level

At this level the moderation panel consist of:

- The respective Director
- Sub-Directorate Heads / Managers reports directly to the Director
- One representative from Human Resource Department
- One representative from the Performance Management Unit

Moderation of performance results at this level presents an opportunity to the Sub Directorate Head to clarify and substantiate the performance rating scored to subordinates. The relevant Director will review the performance outcomes of the entire directorate and may effect changes to individual performance outcomes. It will also be expected from Sub-Directorate Heads / Managers to inform subordinates in instances where changes were effected as a result of the moderation. This process should be finalised by 31 October each year. On completion of the moderation at this level, the performance assessment outcome of the relevant directorate will be endorsed by the relevant director for submission to the municipal manager for final moderation. Changes to individual performance assessment outcomes proposed at this level will not be effected on the automated performance management system.

10.3.3 Moderation at Municipal Manager Level

At this level the moderation panel consist of:

- The Municipal Manager
- All Directors

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- The Manager Human Resources
 - One representative from the Performance Management Unit

Moderation of performance results at this level presents an opportunity to Directors to clarify and substantiate the performance rating scored to subordinates. The Municipal Manager will review the individual performance outcomes of all municipal staff in conjunction with Directors and may effect changes to individual performance outcomes. This process should be finalised by 30 November each year. On completion of the moderation at this level, the performance assessment outcome of the entire workforce will be endorsed by the Municipal Manager. Changes to individual performance assessment outcomes proposed at this level will be regarded as final and will be effected on the automated performance management system.

10.4 Communication of Final Outcomes of Performance Assessments

The performance management unit will provide Directors with a final report on outcome of performance assessments immediately after the moderation process has been concluded. The final outcome of performance assessments should be communicated downwards to each municipal employees by Directors / Sub-Directorate Heads and Supervisors by 30 December each year. This feedback is important to gain employee confidence and to ensure transparency. It will also give employees an opportunity to lodge an appeal in order to request a review of his/her performance assessment. The performance management unit will only be responsible to officially communicate the performance assessment outcomes to those employees who are eligible to receive a performance reward in terms of the reward and recognition policy.

10.5 Performance Assessment Rating Scale

The performance should be measured by applying the following rating scale:

Level Terminology Description

Level	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	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 standards 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.

11. Overall Performance below Acceptable Standard

Performance below acceptable standard is classified in the table above under 10.5 as performance on level 1 and 2. This applies to overall employee performance and not performance on an individual key performance indicator. In the case of performance below the acceptable standard, the employer shall provide systematic remedial or developmental support to inform the employee to:

- improve his or her performance by:
 - Informing the employee that his or her work does not meet the required performance standards;
 - Explain to the employee the performance standards required;
 - Determine the reasons for the poor work performance; and
 - Determine the manner in which poor work performance is to be addressed, including practical steps that need to be taken by both parties.
- In the event that a training need has been identified as an intervention to address unacceptable performance, such interventions should be prioritised for implementation in the forthcoming Workplace Skills Plan.

12. Appeals Process

12.1 Section 56/57 Employees

The Appeals process as prescribed in R805 of August 2006 and as agreed in the employment and performance contracts of the Section 56/57-Managers will be applicable in instances where they are not in agreement with their final performance evaluations.

12.2 Staff permanently appointed on task grades

Should employees not agree with the contents of their Performance Agreements or Development Plans or with the final outcomes of performance assessments, they may request for a review of their key performance indicators of assessment outcomes through the normal grievance procedures.

13. Reward and Recognition

The performance scores as approved by the moderation panel referred to in 10.3.3 shall be considered as final. These scores shall be used to reward performance.

13.1 Performance Rewards

The following performance rewards is applicable based on the performance evaluations within a given financial year (1 July to 30 June).

13.1.1 Category 1: Outstanding Performance

Employees achieving 90% / 4.5 or more on overall performance shall receive:

- 2 days paid vacation leave.

13.1.2 Category 2: Performance Significantly Above Expectation

Employees achieving 80% / 4 or more on overall performance shall receive:

- 1 day paid vacation leave.

Employees appointed for a period of six months and longer within a financial year shall be rewarded pro rata in terms of 10.2.

13.2 Performance Improvement Awards

Municipal employees (excluding Section 57 appointees) are invited to identify opportunities to improve municipal performance and to identify opportunities to improve efficiency and save money. Employees need to submit the ideas to the Director. The ideas will be evaluated by the Senior Management Team. The employee whose opportunities were implemented and that resulted in material cost savings / efficiencies will be rewarded with a R500 and 1-day vacation leave.

14. Record Keeping

The Municipal Manager/Directors/ Heads/ Managers/ Supervisors have the responsibility to keep record of signed Performance Development Plans and Performance Agreements. The Municipal Manager/Directors/ Heads/ Managers/ Supervisors also have the duty to keep record of signed Individual evaluations of their directorates/sub- directorates at a central location for their POE purposes.

The responsibility of the Head/ Manager/ Supervisor of a Sub-directorate is to maintain a list of Performance Agreements and Performance Development Plans and to notify the Performance Management Unit that an employee has been transferred or when the need arises to review Key Performance Indicators (KPI's).

It is also the responsibility of the Sub-Directorate Head to inform the Performance Management unit when a new staff member joins the Sub-Directorate and when new Key Performance Indicators (KPI's) needs to be developed.

