

UMZINYATHI DISTRICT MUNICIPALITY



PERFORMANCE MANAGEMENT POLICY AND PROCEDURE MANUAL

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1. Introduction

In terms of Section 19 of the Structures Act, Sections 39, 40 and 41 of the Municipal Systems Act and Section 7 (2) of the Municipal Planning and Performance Management Regulations, a Local Government Structure shall develop a Performance Management System (PMS). This system is to contain the following core elements:

- Performance measurement;
- Performance monitoring, reviewing and evaluation;
- Performance Auditing;
- Performance reporting; and
- Intervention

The Municipal Manager in conjunction with the **Executive Committee** has the discretion to decide on the establishment of a financial incentive scheme, subject to the availability of adequate funds in the Municipal budget and the medium-term expenditure framework. It is thus within the Councils discretionary powers to allow, or disallow the payment of any performance incentives for a particular financial year.

2. Executive Overview

Definition of performance management:

Performance Management is a process which measures the implementation of the organisation's strategy. It is also a Management tool to plan, monitor, measure and review performance of indicators to ensure efficiency, effectiveness and impact of service delivery by the municipality.

The Aims and objectives of Performance Management Framework is to:

- Clarify processes of implementation
- Ensure compliance with Legislation
- Demonstrate how the system will be conducted
- Define Roles and Responsibilities
- Promote Accountability and Transparency
- Reflect the linkage between the IDP, SDBIP, Budget and performance management

The Legal Framework which forms the background is the Systems Act and regulations, and the Municipal Finance Management Act which are included as annexure to the main document.

The Benefits of a Performance Management System

- Identifies major or systematic blockages
- Ensures accountability between residents and the Political administrations of the Municipality
- Provides early warning signals

5. The key issues underpinning the success of Performance Management are:

- Top management and council have to drive the system
- Communication must occur at all levels
- The Value of having the PMS must be understood.
- The system provides learning opportunities through the coaching and review process
- Performance Management is an ongoing process

The elements of the Performance Management Cycle are listed below and detail is provided in the main document.

- Performance Planning
- Performance Measuring and Monitoring
- Performance Evaluation
- Performance Reporting
- Performance Auditing/Review

The Performance Management Process below lists the key process for organisational performance and each item is detailed in the main document.

- Step 1: Establish the KPA's
- Step 2: Design Strategic Focus Areas
- Step 3: Determine KPI's
- Step 4: Obtain baseline Figures
- Step 5: Set Target Dates
- Step 6: Determine steps/plans to achieve Step 1-5
- Step 7: Provide quarterly status of the KPI's
- Step 8: Evaluate the KPI's and Targets (If targets change indicate revised target)

- Step 9: Compilation of Scorecard report
- Step 10: Auditing Scorecard
- Step 11: Submit final report to various stakeholders

The Roles and Responsibilities

Designation	Role
Municipal Council	Approval and oversight
Executive Council	Oversight
Ward Committees	Participation
Municipal Manager	Monitoring
PMS Department	Establish, monitor and report
Internal Audit	Monitor and review
Performance Audit Committee	Oversight review
Senior Management	Implement

3. Definitions

“Accounting officer”

in relation to the municipality means the municipal official referred to in Section 60 and includes a person acting as the accounting officer

“Annual report”

in relation to a municipality means an annual report contemplated in section 121 of the Municipal Finance Management Act

“Auditor-General”

Means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person-

- (a) acting as Auditor-General
- (b) acting in terms of a delegation by the Auditor-General; or
- (c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General

“Basic municipal service”

Means 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

“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.

“Councillor”

Means a member of a municipal council

“ Section 57 employee”

Means a person employed by a municipality as a municipal manager or as a manager directly accountable to a municipal manager;

“Employer”

Means 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”

Means a contract as contemplated in Section 57 of the Municipal Systems Act;

“External service provider”

Means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality

“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”

Means the financial year of municipalities that end on 30 June of each year

“Input indicator”

Means an indicator that measures the costs, resources and time used to produce an output

“Integrated development plan”

Means a plan envisaged in section 25 of the 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”

In relation to –

- (a) 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”

Means the member of a provincial Executive Council

“MEC for local government”

Means the MEC responsible for local government in a province

“Minister”

Means the national Minister responsible for local government

“Municipality”

When referred to as –

- (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. 1998 (Act No. 27 of 1998)

“Municipal council” or “council”

Means a municipal council referred to in section 157(1) of the Constitution

“Municipal entity”

Means –

- (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”

Means the Local Government: Municipal Finance Management Act, 2003, and any regulations made under that Act

“Municipal manager”

means a person appointed in terms of section 82 of the Municipal Structures Act

“Municipal service”

Has the meaning assigned to it in section 1 of the Municipal Systems Act

“Municipal Structures Act”

Means the Local Government: Municipal Structures Act. 1998 (Act 117 of 1998)

“Municipal Systems Act”

Means the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000)

“Outcome indicator”

Means an indicator that measures the quality and or impact of an output on achieving a particular objective

“Output indicator”

Means an indicator that measures the results of activities, processes and strategies of a program of a municipality

“Private company”

Means a company referred to in section 19 and 20 of the Companies Act. 1973 (Act No. 61 of 1973)

“Performance agreement”

Means an agreement as contemplated in Section 57 of the Municipal Systems Act

“Performance plan”

Means 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.

“Prescribe”

Means prescribe by regulation or guidelines in terms of section 120 and “prescribed” has a corresponding meaning

“Political office bearer”

Means 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 Municipal Structures Act

“Resident”

In relation to a municipality, means a person who is ordinarily resident in the municipality

“Senior manager”

(a) in relation to a municipality, means a manager referred to in section 56 of the Municipal Systems Act; or
(b) in relation to a municipal entity, means a manager directly accountable to the chief executive officer of the entity

“Service authority”

Means the power of a municipality to regulate the provision of a municipal service by a service provider

“Service delivery agreement”

Means an agreement between a municipality and an institution or person mentioned in section 76(b) of the 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”

Means 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) projections for each month of –

(i) revenue to be collected, by source; and

(ii) operational and capital expenditure, by vote;

(b) service delivery targets and performance indicators for each quarter; and

(c) 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 Municipal Finance Management Act

“Service utility”

Means a municipal entity established in terms of section 82(1)(c), a body established in terms of section 86H of the Municipal Systems Act

“Staff”

In relation to a municipality, means the employees of the municipality, including the municipal manager

“The Act”

Means the Local Government: Municipal Systems Act, 2000

Aims / Objectives of a Performance Management Framework and System

This framework aims to:

- Clarify the processes of implementing the performance management system within the framework of the Integrated Development Planning (IDP) Process.
- Clarify definitions and standards for performance management.
- Ensure compliance with the South African Legal framework.
- Demonstrate how the system will be conducted, organized, operated and managed from the planning stage up to the stages of performance review.
- Define roles and responsibilities.
- Determine the frequency of reporting.
- Promote accountability and transparency of performance management within the Umzinyathi District Municipality.

The objective of the framework is to create an efficient and effective Performance Management System for the KwaDukuza Municipality in order to:

- Translate the municipality's vision, mission and IDP into clear measurable outcomes, indicators and performance levels that define success and that are shared throughout the municipality and with the municipality's customers and stakeholders.
- Ensure the implementation of the plans and programmes
- Provide a tool for assessing, managing and improving the overall health and success of business processes and systems within the Municipality.
- Measure development impact
- Ensure efficient utilisation of resources
- Create a culture of best practice
- Promote accountability
- Include measures of quality, cost, customer service and employee alignment, motivation and skills to provide an in-depth and predictive Performance Management System
- Assess the performance of the municipality and its management employees.

4. Definition of Performance Management

Performance Management as defined by Department of Local Government (DPLG) is a strategic approach to management, which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets for efficiency, effectiveness and impact. This system will therefore in turn ensure that all the leaders, managers and individuals in the municipality are held accountable for their actions which should bring about improved service delivery and value for money.

Performance management is aimed at ensuring that municipalities monitor their IDP's and continuously improve their operations and in terms of Section 19 of the Local Government Municipal Structures Act (MSA), that they annually review their overall performance in achieving their constitutional objectives.

The Performance Management System must:

- Have appropriate performance indicators, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in the IDP and the National KPA's
- Have measurable targets (quarterly, if possible annually)
- Reflect baseline information
- Comment on how to improve performance
- Monitor performance
- Measure and review performance at least once a year
- Aim to improve performance
- Establish a process of regular reporting

Performance management is potentially the area of management that can make a significant contribution to organizational and individual performance. The system must be designed so it improves strategic focus and organizational effectiveness through continually seeking to improve the performance of the municipality as a whole and the individuals in it.

Organisational Performance Management Link to Individual Performance

The performance of a municipality is integrally linked to that of staff. It is therefore important to link organizational performance to individual performance and to manage both at the same time, but separately.

The legislative mandate for measuring individual performance is found in section 57 of the Municipal Systems Act which requires that the Municipal Manager and Managers who report directly to the Municipal Manager, sign performance contracts, which must include performance objectives and targets. These must be practical, measurable and based on key performance indicators set out on the IDP.

Effectively, the organizational scorecard is executed by the employees of the municipality. In practice this means that the strategic organisational scorecard becomes the responsibility of the municipal manager.

The head of department's individual performance plans will flow out of the Municipal Manager's performance plan and the manager on the lower level will have a performance plan that flows out of the head of the department's performance plan. This process is then cascaded down throughout the hierarchy of each of the department in the municipality.

Although, the 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 job descriptions, which must be aligned with the individual performance plan of the head of the department. In this way all employees are working towards a common goal. It is however the responsibility of the employer, to create an

environment, which the employees can deliver the objectives and the targets set for them in their performance contracts and job descriptions.

This performance management policy and procedure document is concerned with planning, measuring and reporting the organisational and individual performance of employees within the Municipality. If each employee achieves his/ her performance objectives, which are linked to the department's objective, and in turn linked to the Integrated Development Plan the Municipality will ultimately achieve its organizational performance objectives.

The reporting requirements as stipulated in the Municipal System Act, the involvement of the community in setting performance indicators etc. needs to occur at an organizational performance management level. Individual performance management occurs at the level of the working relationship that exists between the employee and his/her Manager/ Supervisor.

Benefits of a Performance Management System Organisational Performance

The Organisational Performance Management System is advantageous to a municipality as it:

- Identifies major or systematic blockages and guides future planning and developmental objectives and resource utilization in the municipality
- Provides a mechanism for managing expectations and ensuring increased accountability between residents of a municipal area and the political and administrative components of the municipality.
- Provides early warning signals to identify problems in meeting the IDP strategies.
- Provides appropriate management information for informed decision making.

The Benefits of **Individual Performance** are to:

- Ensure alignment of individual goals and objectives with that of the organisation and to coordinate efforts in order to achieve those goals.
- Understand what is expected from the incumbents, by when it is expected and to what standard is expected
- Understand the incumbent's key areas of accountability.
- Determine whether or not performance objectives are being met.
- Make qualified decisions within the incumbents level of competencies
- Avail the incumbents of learning and development opportunities to competently meet their performance targets

Key issues underpinning the success of Performance Management

In order to ensure the success of the Performance Management System, the following has been identified as areas which need emphasis:

- a. Top Management and council to drive the system
- b. A need for clarity regarding the strategy of the Municipality so that these can be used to determine the objectives of the Municipality, each business unit and each employee.
- c. Channels of communication needs to be in place
- d. A clear understanding and appreciation of the value of having a performance measurement system.
- e. The development of employees identified through the performance management process and providing learning opportunities through the process of planning, coaching and reviewing performance.
- f. Performance management is an ongoing process not a once a year event of conducting a performance review.

5. Aim of this Performance Management Policy

The aim of this Performance Management Policy and Procedure Manual is to provide the principles, prescripts and the process applicable to the performance assessments of employee, as well as the allocation of performance incentives to eligible employees.

6. Performance Management Review Process - (Guideline)

The performance of each employee in relation to his/her performance agreement shall be reviewed on a quarterly basis with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory. The following quarterly review periods would be applicable:

First quarter	:	July - September
Second quarter	:	October - December
Third quarter	:	January - March
Fourth quarter	:	April - June

Review Process

The immediate manager (evaluator) should review the employee. Each employee's deliverables are defined in a performance plan where evidence required for each key performance area (KPA) and key performance indicator (KPI) is documented. The KPI also has what, where, when and how criteria which could be used in the evaluation process. The evaluator should make notes during the review process and should assign a score as dictated by legislation. The employer should keep a record of all the review assessments.

It must be noted that when an annual performance review is conducted, the evaluation panel should include the following persons:

For section 57 managers directly accountable to the municipal manager:

- Municipal manager
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee
- Member of the mayoral or executive committee or in respect of plenary type municipality another member of council; and
- Municipal manager from another municipality

For the municipal manager the committee will comprise of the following persons:

- Executive Mayor or Mayor
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee
- Member of the mayoral or executive committee or in respect of plenary type municipality another member of council; and
- Mayor or Municipal manager from another municipality Member of a ward committee as nominated by the executive mayor or mayor

In addition the performance audit committee must -

- review the quarterly reports submitted to it in terms of sub-regulation (I)(c)(ii);
- review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
- at meet least twice during a financial year submit an audit report to the municipal council concerned.

Criteria for performance assessment

The criterion upon which the performance of the employee must be assessed consists of two components, both of which must be contained in the performance agreement. The employee must be assessed against both components, with a weighting of 80:20 allocated to the key performance areas (KPAs) and the core competency requirements (CCRs), respectively. Each area of assessment will be weighted and will contribute a specific part to the total score. KPAs covering the main areas of work will account for 80% and CCRs will account for 20% of the final assessment.

As per the Local Government Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers of 2006, the assessment of the performance of the employee will be based on the following rating scales for KPAs and CCRs:

(1) rewarding outstanding performance or correcting unacceptable performance. The evaluation of the employee's performance will form the basis for

(2) 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) a score of 130% to 149% is awarded a performance bonus ranging from 5% to 9%; and

(b) a score of 150% and above is awarded a performance bonus ranging from 10% to 14%.

Performance Reward Bands

Over 100	Over 150	
87% - 99.3%	130% - 149 %	9%
99.4% -100%	150%	14%

(3) In the case of unacceptable performance, the employer shall -

(a) improve his or her performance; and provide systematic remedial or developmental support to assist the employee to improve his or her performance: and

(b) after appropriate performance counselling and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and performance does not 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.

In addition a municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes, on a quarterly basis, and must report the results of this process to the PAC.

Review Form (Annexure D)

This form should be completed at the end of the appraisal period and could serve as documented proof of an employee's performance evaluation.

7. Dealing with poor Performance

In the event of an employee failing to meet his/her performance objectives, the following

guidelines should be followed:

5.1. Addressing Poor Performance and Incapacity

- Firstly the manager should ensure that the employee is fully aware of their job description and their job requirements
- KPAs, KPIs and CCRs as defined in their performance plans and performance agreements should be agreed upon by both parties
- Adequate instructions, coaching and training should be provided to ensure that the employee is able to meet their objectives and targets
- The employee must be given reasonable time to achieve the required objectives and targets
- The employee should be given regular feedback on their performance
- The above steps should be conducted in conjunction with the Personal Development Plan (Annexure C)

5.2. Formal Poor Performance Counselling Sessions

- The employee's direct Manager is responsible for conducting any formal counselling sessions on poor performance. The counselling session is an opportunity to formally plan and agree on corrective action.
- Identify why the employee is failing to meet the required performance standards/objectives
- Agree on a personal development plan to assist the employee in achieving the required standards/objectives and give the employee a fair opportunity to improve his/her performance. This personal development plan must form part of the performance agreement
- Make the employee aware of the potential consequences of not complying with performance requirements
- Ensure that these meetings are documented so that procedural fairness can be proved in the event of any future disciplinary being taken

5.3. Formal Disciplinary Process - Corrective action

- Should the employee after a reasonable period of time for improvement, continue to perform unsatisfactorily, notwithstanding appropriate evaluation, instruction, guidance and/or counselling, formal disciplinary steps may be implemented
- A formal disciplinary hearing should be held and corrective action through a series of graduated disciplinary measures should be considered, e.g formal counselling, written warning, written final warning, and finally dismissal as a last resort

8. Performance Agreements

6.1. What is a Performance Agreement?

The Performance Agreement is an agreement between the Employee and his/her Manager, which regulates the performance required for a particular position and the consequences of the performance. If the employee achieves the identified performance requirements, he/she will be rewarded in accordance with the performance agreement. If the Employee does not achieve the identified performance requirements, appropriate action will be taken where possible to remedy the poor performance and if not possible may lead to the termination of the employment relationship.

6.2. Why sign a Performance Agreement?

The Local Government Municipal Systems Act (2000) and the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006) requires that the Municipal Manager and the Managers reporting directly to the Municipal Manager sign a Performance Agreement. In UMzinyathi District Municipality scenario, we have all deemed Section 57 appointees. This agreement deals with one aspect of the employment relationship, namely performance. Legislation is not the only reason to implement performance agreements since best practise in performance management support the development of performance agreements that provide the framework for clarifying expectations and form the basis for feedback, assessment and development. It is also consistent with local government's focus on improved service delivery. The following issues should be noted when completing the Performance Agreement:

6.2.1. The Employee's name and position must be added to the agreement in which the agreement is between the employee and his immediate Manager

6.2.2. The Performance Plan must be finalised for the Employee and must be attached to the Performance Agreement. The Performance Agreement should not be signed unless a complete Performance Plan is attached. Guidelines for completing the Performance Plan are provided later in this document. The Performance Agreement and plan form a part of the Contract of employment. Bonus provision for excellent performance is covered in the contract of employment

6.3. What is the link to the Employment Contract?

The employment contract for the Municipal Manager and deemed Section 57 appointees require that the parties conclude a Performance Agreement within a reasonable period. This is a requirement of the Local Government Municipal Systems

Act (2000) i.e. the employment contract is directly linked to the Performance Agreement, so that the one affects the other. In other words, it will affect directly on the employment relationship if the performance agreement is not signed or fulfilled. Section 57 (1) (b) of the Systems Act requires that a performance agreement is concluded annually. This agreement is generic to all and the same is attached as Annexure A.

6.4. Amendment to the Performance Agreement

No amendments to this agreement may be made without the prior approval of the Municipal Manager.

9. Defining Performance Bonuses - Guidelines

There is a link between the Organisational Scorecard, the Individual Performance Plan and reward. The Councils Executive Committee in consultation with the Municipal Manager, the Performance Audit Committee, and the applicable legislation will determine the process for Performance Bonus award.

12. Performance Plans

7.1. What is a Performance Plan?

The performance plan (Annexure B) is an annexure to the contract of employment and sets out the performance objectives and targets that must be met by the employee and the timeframes within which those objectives and targets must be met. Each Performance Plan must be linked to the Organisational Scorecard and the Integrated Development Plan.

7.2. The Performance Management Process

8. Personal Development Plan

8.1. What is a Personal Development Plan (PDP?)

The Personal Development Plan is an annexure to the performance agreement. The personal development plan is used for addressing developmental gaps identified after a performance assessment. The aim of the PDP is to identify, prioritise and implement training needs.



Annexure A: Performance Agreement

PRO FORMA

PERFORMANCE AGREEMENT

MADE AND ENTERED INTO BY AND BETWEEN:

**THE MUNICIPALITY OF,
AS REPRESENTED BY THE EXECUTIVE MAYOR/
MAYOR**

.....
FULL NAMES

AND

.....
THE EMPLOYEE OF THE MUNICIPALITY

FOR THE

FINANCIAL YEAR: 1 JULY 20... - 30 JUNE 20...

PERFORMANCE AGREEMENT
ENTERED INTO BY AND BETWEEN:

The Municipality of herein represented by
..... (full name) in her/his
capacity
as Executive Mayor/Mayor (hereinafter referred to as the Employer or Supervisor)
and
.....(full name) Employee of the
Municipality of(hereinafter referred to as the
Employee).

WHEREBY IT IS AGREED AS FOLLOWS:

1. INTRODUCTION

1.1 The Employer has entered into a contract of employment with the Employee in terms of section 57(1)(a) of the Local Government: Municipal Systems Act 32 of 2000 (“the Systems Act”). The Employer and the Employee are hereinafter referred to as “the Parties”.

1.2 Section 57(1)(b) of the Systems Act, read with the Contract of Employment concluded between the parties, requires the parties to conclude an annual performance Agreement.

1.3 The parties wish to ensure that they are clear about the goals to be achieved, and secure the commitment of the Employee to a set of outcomes that will secure local government policy goals.

1.4 The parties wish to ensure that there is compliance with Sections 57(4A), 57(4B) and 57(5) of the Systems Act.

2. PURPOSE OF THIS AGREEMENT

The purpose of this Agreement is to -

2.1 comply with the provisions of Section 57(1)(b),(4A),(4B) and (5) of the Systems Act as well as the Contract of Employment entered into between the parties;

2.2 specify objectives and targets established for the Employee and to communicate to the Employee the Employer’s expectations of the Employee’s performance expectations and accountabilities;

2.3 specify accountabilities as set out in the Performance Plan (Annexure A);

2.4 monitor and measure performance against set targeted outputs;

2.5 use the Performance Agreement and Performance Plan as the basis for assessing the suitability of the Employee for permanent employment and/or to assess whether the Employee has met the performance expectations applicable to his/her job;

2.6 appropriately reward the Employee in accordance with the Employer’s performance management policy in the event of outstanding performance; and

2.7 give effect to the Employer’s commitment to a performance-orientated relationship with the Employee in attaining equitable and improved service delivery.

3 COMMENCEMENT AND DURATION

3.1 This Agreement will commence on theand will remain in force until where after a new Performance Agreement, Performance Plan and Personal Development Plan shall be concluded between the parties for the next financial year or any portion thereof.

3.2 The parties will review the provisions of this Agreement during June each year.

The parties will conclude a new Performance Agreement and Performance Plan that replaces this Agreement at least once a year by not later than the beginning of each successive financial year.

3.3 This Agreement will terminate on the termination of the Employee's contract of employment for any reason.

3.4 The content of this Agreement may be revised at any time during the abovementioned period to determine the applicability of the matters agreed upon.

3.5 If at any time during the validity of this Agreement the work environment alters (whether as a result of government or council decisions or otherwise) to the extent that the contents of this Agreement are no longer appropriate, the contents shall immediately be revised.

4 PERFORMANCE OBJECTIVES

4.1 The Performance Plan (Annexure A) sets out-

4.1.1 the performance objectives and targets that must be met by the Employee; and

4.1.2 the time frames within which those performance objectives and targets must be met.

4.2 The performance objectives and targets reflected in Annexure A are set by the Employer in consultation with the Employee and based on the Integrated Development Plan and the Budget of the Employer, and shall include key objectives; key performance indicators; target dates and weightings.

4.3 The key objectives describe the main tasks that need to be done. The key performance indicators provide the details of the evidence that must be provided to show that a key objective has been achieved. The target dates describe the timeframe in which the work must be achieved. The weightings show the relative importance of the key objectives to each other.

4.4 The Employee's performance will, in addition, be measured in terms of contributions to the goals and strategies set out in the Employer's Integrated Development Plan.

5 PERFORMANCE MANAGEMENT SYSTEM

5.1 The Employee agrees to participate in the performance management system that the Employer adopts or introduces for the Employer, management and municipal staff of the Employer

5.2 The Employee accepts that the purpose of the performance management system will be to provide a comprehensive system with specific performance standards to assist the Employer, management and municipal staff to perform to the standards required.

5.3 The Employer will consult the Employee about the specific performance standards that will be included in the performance management system as applicable to the Employee.

6 The Employee agrees to participate in the performance management and development system that the Employer adopts.

6.1 The Employee undertakes to actively focus towards the promotion and implementation of the KPAs (including special projects relevant to the employee's responsibilities) within the local government framework.

6.2 The criteria upon which the performance of the Employee shall be assessed shall consist of two components, both of which shall be contained in the Performance Agreement.

6.2.1 The Employee must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPAs) and the Core Managerial Competencies (CMCs) respectively.

6.2.2 Each area of assessment will be weighted and will contribute a specific part to the total score.

6.2.3 KPAs covering the main areas of work will account for 80% and CMCs will account for 20% of the final assessment.

6.3 The Employee's assessment will be based on his/ her performance in terms of the outputs/ outcomes (performance indicators) identified as per attached Performance Plan (Annexure A), which are linked to the KPA's, and will constitute 80% of the overall assessment result as per the weightings agreed to between the Employer and Employee:

Key Performance Areas (KPA's)	Weighting
Basic Service Delivery	
Municipal Institutional Development and Transformation	
Local Economic Development (LED)	
Municipal Financial Viability and Management	
Good Governance and Public Participation	
	Total 100%

6.4 The CMCs will make up the other 20% of the Employee's assessment score. CMCs that are deemed to be most critical for the Employee's specific job should be selected () from the list below as agreed to between the Employer and Employee:

**CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES
CORE MANAGERIAL COMPETENCIES (CMC)**

	WEIGHT
Strategic Capability	
Programme and Project Management	
Financial Management	
Change Management	
Knowledge Management	
Service Delivery Innovation	
Problem Solving and Analytical Thinking	
People and Diversity Management	
Client Orientation and Customer Focus	
Communication	
Accountability and Ethical Conduct	
Policy conceptualisation and implementation	
Mediation skills	
Advanced negotiation skills	
Advanced influencing skills	
Partnership and Stakeholder Relations	
Supply Chain Management	
	100%

7. EVALUATING PERFORMANCE

7.1 The Performance Plan (Annexure A) to this Agreement sets out -

**7.1.1 the standards and procedures for evaluating the Employee's performance;
and**

7.1.2 the intervals for the evaluation of the Employee's performance.

7.2 Despite the establishment of agreed intervals for evaluation, the Employer may in addition review the Employee's performance at any stage while the contract of employment remains in force.

7.3 Personal growth and development needs identified during any performance review discussion must be documented in a Personal Development Plan as well as the actions agreed to and implementation must take place within set time frames.

7.4 The Employee's performance will be measured in terms of contributions to the goals and strategies set out in the Employer's IDP.

7.5 The annual performance appraisal will involve:

7.5.1 Assessment of the achievement of results as outlined in the performance plan:

(a) Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA.

(b) An indicative rating on the five-point scale should be provided for each KPA.

(c) The applicable assessment rating calculator (refer to paragraph 6.5.3 below) must then be used to add the scores and calculate a final KPA score.

7.5.2 Assessment of the CMCs

(a) Each CMC should be assessed according to the extent to which the specified standards have been met.

(b) An indicative rating on the five-point scale should be provided for each CMC.

(c) The applicable assessment rating calculator (refer to paragraph 6.5.1) must then be used to add the scores and calculate a final CMC score.

7.5.3 Overall rating

An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal.

7.6 The assessment of the performance of the Employee will be based on the following rating scale for KPA's and CMCs:

Level Terminology Description Rating 1 2 3 4 5

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 standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.

7.7 In terms of Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers 2006, Government Notice Number 29089 dated 01 August 2006 the Municipality establishes an Evaluation Committee.

7.7.1 (a) The Evaluation Committee shall consist of five members of which three shall be the following for evaluating the annual performance of the Municipal Manager.

- **His worship the Mayor**

- Chairperson of the Performance Audit Committee
 - Member of the Executive Committee
 - Mayor and/or Municipal Manager of another Municipality
 - Member of the ward committee as nominated by the Mayor
- b) The Evaluation Committee shall consist of four members of which two shall be the following for the evaluating of the annual performance of the Managers.
- Municipal Manager
 - Chairperson of the Performance Audit Committee
 - Member of the Executive Committee: Councillor
 - Municipal Manager of another Municipality

8. SCHEDULE FOR PERFORMANCE REVIEWS

8.1 The performance of each Employee in relation to his/her performance agreement shall be reviewed on the following dates with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:

First quarter:	July – September.....
Second quarter:	October – December.....
Third quarter:	January – March.....
Fourth quarter:	April – June.....

8.2 The Employer shall keep a record of the mid-year review and annual assessment meetings.

8.3 Performance feedback shall be based on the Employer’s assessment of the Employee’s performance.

8.4 The Employer will be entitled to review and make reasonable changes to the provisions of Annexure “A” from time to time for operational reasons. The Employee will be fully consulted before any such change is made.

8.5 The Employer may amend the provisions of Annexure A whenever the performance management system is adopted, implemented and/or amended as the case may be. In that case the Employee will be fully consulted before any such change is made.

9. DEVELOPMENTAL REQUIREMENTS

The Personal Development Plan (PDP) for addressing developmental gaps is attached as Annexure B.

10. OBLIGATIONS OF THE EMPLOYER

10.1 The Employer shall –

10.1.1 create an enabling environment to facilitate effective performance by the employee;

10.1.2 provide access to skills development and capacity building opportunities;

10.1.3 work collaboratively with the Employee to solve problems and generate solutions to common problems that may impact on the performance of the Employee;

10.1.4 on the request of the Employee delegate such powers reasonably required by the Employee to enable him/ her to meet the performance objectives and targets established in terms of this Agreement; and

10.1.5 make available to the Employee such resources as the Employee may reasonably require from time to time to assist him/ her to meet the performance objectives and targets established in terms of this Agreement.

11. CONSULTATION

11.1 The Employer agrees to consult the Employee timeously where the exercising of the powers will have amongst others –

11.1.1 a direct effect on the performance of any of the Employee's functions;

11.1.2 commit the Employee to implement or to give effect to a decision made by the Employer; and

11.1.3 a substantial financial effect on the Employer.

11.2 The Employer agrees to inform the Employee of the outcome of any decisions taken pursuant to the exercise of powers contemplated in 11.1 as soon as is practicable to enable the Employee to take any necessary action without delay.

12. MANAGEMENT OF EVALUATION OUTCOMES

12.1 The evaluation of the Employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

12.2 A performance bonus of 5% to 14% of the inclusive annual remuneration package may be paid to the Employee in recognition of outstanding performance.

12.3 The Employee will be eligible for progression to the next higher remuneration package, within the relevant remuneration band, after completion of at least twelve months (12) service at the current remuneration package on 30 June (end of financial year) subject to a fully effective assessment.

12.4 In the case of unacceptable performance, the Employer shall –

12.4.1 provide systematic remedial or developmental support to assist the Employee to improve his or her performance; and

12.4.2 after appropriate performance counselling and having provided the necessary guidance and/ or support as well as reasonable time for improvement in performance, 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.

13. DISPUTE RESOLUTION

13.1 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 –

13.1.1 the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the Employee; or

13.1.2 any other person appointed by the MEC.

13.2 In the event that the mediation process contemplated above fails, clause 19.3 of the Contract of Employment shall apply.

14. GENERAL

14.1 The contents of this agreement and the outcome of any review conducted in terms of Annexure A may be made available to the public by the Employer.

14.2 Nothing in this agreement diminishes the obligations, duties or accountabilities of the Employee in terms of his/ her contract of employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

Thus done and signed aton this the..... day of 200...

AS WITNESSES:

1. _____

EMPL OYEE

2. _____

AS WITNESSES:

1. _____

EXECUTIVE MAYOR/ MAYOR

2. _____

Annexure B: Performance Plans

PERFORMANCE PLAN

Entered into by and between

[INSERT NAME]

[“the Employer”]

and

[INSERT FULL NAMES OF EMPLOYEE]

[“the Employee”]

1. Purpose

The performance plan defines the Council's expectations of the Manager's performance agreement to which this document is attached and Section 57 (5) of the Municipal Systems Act, which provides that performance objectives and targets must be based on the key performance indicators as set in the Municipality's Integrated Development Plan (IDP) and as reviewed annually.

2. Key responsibilities

The following objects of local government will inform the Manager's performance against set performance indicators:

2.1 Provide democratic and accountable government for local communities.

2.2 Ensure the provision of services to communities in a sustainable manner.

2.3 Promote social and economic development.

2.4 Promote a safe and healthy environment.

2.5 Encourage the involvement of communities and community organisations in the matters of local government.

3. Key Performance Areas

The following Key Performance Areas (KPA's) as outlined in the Local Government: Municipal Planning and Performance Management Regulations (2001) inform the strategic objectives listed in the table below:

3.1 Municipal Transformation and Organisational Development.

3.2 Infrastructure Development and Service Delivery.

3.3 Local Economic Development (LED).

3.4 Municipal Financial Viability and Management.

3.5 Good Governance and Public Participation.

Annexure C: Personal Development Plans

PERSONAL DEVELOPMENT PLAN (PDP)

Entered into by and between

[INSERT NAME]

[“the Employer”]

and

[INSERT FULL NAMES OF EMPLOYEE]

[“the Employee”]

1 . Personal Development Plan

1.1.1 A Municipality should be committed to –

- (a) the continuous training and development of its employees to achieve its vision, mission and strategic objectives and empower employees; and**
- (b) managing training and development within the ambit of relevant national policies and legislation.**

1.1.2 A Municipality should follow an integrated approach to Human Resource Management, that is:

- (a) Human resource development forms an integral part of human resource planning and management.**
- (b) In order for training and development strategy and plans to be successful it should be based on sound Human Resource (HR) practices, such as the (strategic) HR Plan, job descriptions, the result of regular performance appraisals and career pathing.**
- (c) To ensure the necessary linkage with performance management, the Performance Management and Development System provides for the Personal Development Plans of employees to be included in their annual performance agreements. Such approach will also ensure the alignment of individual performance objectives to the municipality's strategic objectives, and that training and development needs can be identified through performance management and appraisal.**
- (d) Career-pathing ensures that employees are placed and developed in jobs according to aptitude and identified potential. Through training and development they can acquire the necessary competencies to prepare them for future positions. A comprehensive competency framework and profile for Municipal Managers are attached and these should be linked to relevant registered unit standards to specifically assist them in compiling Personal Development Plans in consultation with their managers.**
- (e) Personal Development Plans are compiled for individual employees and the data collated from all employees in the municipality forms the basis for the prescribed Workplace Skills Plan, which municipalities are required to compile as a basis for all training and education activities in the municipality in a specific financial year and report on progress made to the Local Government Sector Education and Training Authority.**

1.1.3 The aim of the compilation of Personal Development Plans is to identify, prioritise and implement training needs.

1.1.4 Compiling the Personal Development Plan attached at Appendix.

- (a) Competency assessment instruments, which are dealt with more specifically in Appendix 1 and 2, should be established to assist with the objective assessment of employees' actual competencies against their job specific competency profiles and managerial competencies at a given period in time with the purpose of identifying training needs or skills gaps.**
- (b) The competency framework and profiles and relevant competency assessment results will enable a manager, in consultation with his / her employee, to compile a Personal Development Plan. The identified training needs should be entered into column 1 of Appendix 1, entitled Skills /Performance Gap. The following should be carefully determined during such a process:
 - (i) Organisational needs, which include the following:****

- Strategic development priorities and competency requirements, in line with the municipality's strategic objectives.
- The competency requirements of individual jobs. The relevant job requirements (job competency profile) as identified in the job description should be compared to the current competency profile of the employee to determine the individual's competency gaps.
- Specific competency gaps as identified during the probation period and performance appraisal of the employee.

(ii) Individual training needs that are job / career related.

(c) Next, the prioritisation of the training needs [1 to ...] should be listed since it may not be possible to address all identified training needs in a specific financial year. It is however of critical importance that training needs be addressed on a phased and priority basis. This implies that all these needs should be prioritized for purposes of accommodating critical / strategic training and development needs in the HR Plan, Personal Development Plans and the Workplace Skills Plan.

(e) Consideration must then be given to the expected outcomes, to be listed in column 2 of Appendix 1, so that once the intervention is completed the impact it had can be measured against relevant output indicators.

(f) An appropriate intervention should be identified to address training needs / skills gaps and the outcome to be achieved but with due regard to cost effectiveness. These should be listed in column 3 of Appendix 1, entitled:

Suggested training and / or development activity in line with the National Qualifications Framework, which could enable the trainee to obtain recognition towards a qualification for training undertaken. It is important to determine through the Training / Human Resource Development / Skills Development Unit within the municipality whether unit standards have been developed and registered with the South African Qualifications Authority that are in line with the skills gap and expected outcomes identified. Unit standards usually have measurable assessment criteria to determine achieved competency.

(g) Guidelines regarding the number of training days per employee and the nominations of employees: An employee should on average receive at least five days of training per financial year and not unnecessarily be withdrawn from training interventions.

(h) Column 4 of Appendix 1: The suggested mode of delivery refers to the chosen methodology that is deemed most relevant to ensure transfer of skills. The training / development activity should impact on delivery back in the workplace. Mode of delivery consists of, amongst others, self-study [The official takes it upon him / her to read e.g. legislation]; internal or external training provision; coaching and / or mentoring and exchange programmes, etc.

(i) The suggested time frames (column 5 of Appendix 1) enable managers to effectively plan for the annum e.g. so that not all their employees are away from work within the same period and also ensuring that the PDP is implemented systematically.

(j) Work opportunity created to practice skill / development areas, in column 6 of Appendix 1, further ensures internalisation of information gained as well as return on investment (not just a nice to have skill but a necessary to have skill that is used in the workplace)

(k) The final column, column 7 of Appendix 1, provides the employee with a support person that could act as coach or mentor with regard to the area of learning

No	Core Competency Requirement	Comments	Achieved CCR	Score
1	Strategic Capability and Leadership			
2	Financial Management			
3	Change Management			
4	Knowledge Management			
5	Problem Solving and Analysis			
6	Programme and Project Management			
7	Service Delivery Innovation			
8	People Management and Empowerment			
9	Client Orientation and Customer Focus			
10	Communication			
11	Honesty and Integrity			
12	Competence in Self Management			
13	Interpretation of and implementation within the legislative & national policy Frameworks			
14	Knowledge of developmental local government			
15	Knowledge of performance management and reporting			
16	Knowledge of global and South African specific political, social and economic contexts			
17	Competence in policy conceptualisation, analysis and implementation			
18	Knowledge of more than one functional municipal field/discipline			
19	Skills in mediation			
20	Skills in governance			
21	Competence as required by other national line sector departments			
22	Exceptional and dynamic creativity to improve the functioning of the municipality			

COUNCIL APPROVAL AND EFFECTIVE DATE

Approval of Policy by Council and Effective date: 17 December 2008