TYING Municipal managers' pay TO PERFORMANCE

Municipal managers are paid well – too well, it has sometimes been argued. Many wonder why the head public servants of local government should earn more than mayors, or in some cases, even the President. The remuneration of managers became a hot issue in the run-up to the recent local government elections. The Department of Provincial and Local Government (DPLG) recently gazetted new regulations on the performance and remuneration of municipal managers.

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Sydney Mufamadi, Minister of Provincial and Local Government

Accountability for performance

Last year, municipalities spent R10 billion more on paying councillors and officials (10% of their total budget) than they did on service delivery. The national average pay for a municipal manager was R650 000, but some earn up to R1.2 million. This does not include the sizable bonuses paid on top of basic salaries. In one province, for example, over two-thirds of its 61 municipal managers were awarded bonuses totaling R4.1 million for 2003 and 2004. At the same time, many communities are angered by under-performing municipalities, with service delivery protests rising across the country. As recent reports have shown, large bonuses are not always tied to improved service delivery. How can municipal managers be held responsible for poor (and good) performance?

What the law says

Municipalities have the constitutional power to employ municipal officials under their own regulations, distinct from national and provincial laws. Since municipal councils have the authority to set the salaries of senior managers, they need not follow the salary scales of national and provincial government. Municipalities can also award bonuses to municipal managers based on their performance. Municipalities must make their salary scales transparent. Section 58 of the Municipal Systems Act (Systems Act) says that they must publish the salary scales and benefits of the municipal manager and every manager directly accountable to the municipal manager ('section 57 managers').

New rules

The regulations, entitled 'Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers', aim to regulate the pay and performance of section 57 managers. There are two components: the first sets out the terms of employment for section 57 managers while the second focuses on managers' performance and the evaluation thereof. Through these regulations, the DPLG aims to close the loopholes that allow inflated remuneration packages for managers and then to create standardised job competences and performance standards tailored to rural, urban and metro councils.

key points

- The new regulations aim to regulate the pay and performance of municipal managers and managers directly accountable to them.
- They also aim to close loopholes that allow inflated remuneration packages and eradicate the problem of 'free-floating managers,' where managers who do not meet set delivery targets escape responsibility.
- Under the regulations, municipal managers and their local councils are bound to negotiate a new performance agreement. The agreement must incorporate a performance plan which should specify key objectives, key performance indicators and target dates.
- The municipal manager must disclose his/her financial interests annually, which will prevent the granting of government contracts by municipal officials to companies in which they have an interest.

Employment contract

The regulations provide for the terms of employment of section 57 managers. They mandate the incorporation of standard contract clauses, such as salaries and other benefits, as well as the conditions under which contracts can be amended and terminated. The employment contract for a municipal manager must be for a term not exceeding two years after the election of the next council. The municipal manager must sign a performance agreement, submit the original certificates or certified copies of his academic and professional qualifications and disclose his / her financial interests every year. The latter requirement is important as it could serve as a bulwark against the granting of government contracts by municipal officials to companies in which they have an interest. Within 14 days after they are concluded, the contract and the performance agreement must be submitted to the MEC for local government in the province as well as to the Minister of Provincial and Local Government.

Job description for municipal managers

The regulations outline the components that the job description for the post of municipal manger must contain. Managers must have a recognized Bachelors degree in Public Administration, Accounting, Economics or other relevant fields and a minimum of five years experience at senior management level. In addition, core managerial competences and post-specific competencies are required.

Performance management

Under the regulations, municipal managers and their local councils are bound to negotiate a new performance agreement. The agreement must incorporate a performance plan which should specify key objectives, key performance indicators (KPIs) and target dates. The key objectives, which must be set by the council based on the IDP and its budget, describe the main targets that must be met. The KPIs set out the details of evidence that must be provided to show that a key objective has been achieved, while the target dates describe the timeframe for achieving the work.

The regulations then provide for a performance management system, which, among other things, outlines the criteria for assessing the employee. The first component is related to the five Key Performance Areas (KPAs), which are:

- basic service delivery;
- municipal institutional development and transformation;
- local economic development;
- municipal financial viability and management; and
- good governance and public participation.

The assessment of the employee's performance is done in terms of the KPIs identified in the performance plan. The second component relates to the Core Competency Requirements (CCRs) which may include strategic capability, change management, financial management, programme and project management, customer focus and the like. The employee must be assessed against both components, with a weighting of 80:20 allocated to the KPAs and the CCRs respectively. The assessment is based on an indicative rating on the five-point scale ranging from outstanding performance to unacceptable performance.

The evaluation of the employee's performance will form the basis for paying bonuses and for progression to the next higher remuneration package. Performance evaluation must be conducted on a quarterly basis. In the event of any dispute about the employee's performance evaluation, the MEC for Local Government in the province will have the final and binding say. According to Sydney Mufamadi, the Minster of Provincial and Local Government, the regulations are aimed at eradicating the problem of 'free-floating managers,' where managers who do not meet set delivery targets escape responsibility. Of course, this 'tough love' approach will not apply if the problems are caused by a lack of resources and financial constraints outside the managers' control.

Unacceptable performance

In the case of unacceptable performance by managers, the regulations opt for remedial or developmental support instead of taking drastic measures. According to Lindiwe Msengena-Ndlela, Director-General of DPLG, the new approach is forward-looking since "if a municipal manager doesn't have a matric, we will have to work on a personal development programme". The regulations mandate that a personal development plan for addressing developmental gaps must form part of the performance agreement. This includes the obligation on the council to provide access to skills development and capacity building opportunities. Only if this fails may the council consider other corrective action, including terminating the contract.

Salary and bonus

The regulations will not change the average salary of municipal managers. Lindiwe Msengana-Ndlela, Director-General of DPLG, says that salaries of municipal managers will remain competitive since municipalities want to recruit and retain the best people, especially in poor areas with low revenue. While the regulations retain the payment of performance bonuses, they limit the maximum bonus payment to 14% of the annual package. They further subject that payment to the above-mentioned evaluation and to an approval of the evaluation by the municipal council. This is expected to mitigate the problem of disproportionate bonuses being paid to officials in dysfunctional municipalities.

Evaluation panel

A panel of five or six members has to be established for the purpose of evaluating the performance of the municipal manager. Included in this panel is the executive mayor / mayor, the chairperson of the performance audit committee, a member of the mayoral committee, a mayor and / or municipal manager from another municipality and, where applicable, a ward committee member nominated by the executive mayor / mayor.

A separate evaluation panel of four persons must be established to evaluate the annual performance of managers directly accountable to municipal managers. It must consist of the municipal manager, the chairperson of the performance audit committee, a member of the mayoral executive committee and a municipal manager from another municipality.

Comment

The educational qualifications of over a third of municipal managers in South Africa are only matric plus a diploma. The new regulations recognise the historically-based need to educate administrative leaders 'on the job'. However, the fact that the MEC for local government in a province is vested with the final word on any dispute about the outcome of performance evaluation could be construed as overly intrusive. That aside, it is admirable that national government chose a less intrusive approach to the problems of municipal remuneration and capacity consistent with the constitutional principle of cooperative government. Instead of a strong intervention, the DPLG set out a framework to reward successful municipal managers and to help those who struggle. By avoiding more drastic measures, national government showed respect for the distinct, yet interrelated, role of local government in South Africa's development.

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