SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

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# OPERATIONALISING PERFORMANCE MANAGEMENT IN LOCAL GOVERNMENT

*SKILLS PROGRAMME*

## PRACTITIONER STREAM

LEARNER GUIDE

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
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# ABBREVIATIONS AND ACRONYMS

| Abbreviation | Description |
|---|---|
| **AG** | Auditor-General of South Africa |
| **AO** | Accounting Officer |
| **ASP** | Application Services Provider |
| **BI** | Business Intelligence |
| **CCRs** | Core Competency Requirements |
| **CFO** | Chief Financial Officer |
| **COGTA** | Department of Co-operative Governance and Traditional Affairs |
| **DPLG** | Department of Provincial and Local Government (now COGTA) |
| **ETD** | Education, Training and Development |
| **GWM&ES** | Government-Wide Monitoring and Evaluation System |
| **HR** | Human Resources |
| **IDP** | Integrated Development Plan |
| **KPA** | Key Performance Area |
| **KPI** | Key Performance Indicator |
| **KPPs** | Key Performance Parameters |
| **LAN** | Local Area Network |
| **M&E** | Monitoring and Evaluation |
| **MM** | Municipal Manager |
| **MPAT** | Management Performance Assessment Tool |
| **MTEF** | Medium Term Expenditure Framework |
| **MTREF** | Medium Term Revenue and Expenditure Framework |
| **PDP** | Personal Development Plan |
| **PERT** | Program Evaluation and Review Technique |
| **POE** | Portfolio of evidence |
| **PM** | Performance Management |
| **PMS** | Performance Management System |
| **PMU** | Project Management Unit |
| **SALGA** | South African Local Government Association |
| **SDBIP** | Service Delivery and Budget Implementation Plan |

# GLOSSARY OF TERMS

| | |
|---|---|
| **Accounting Officer** | Municipal manager or the administrative head of a municipality |
| **Analysis** | A breakdown into components of essential features; identify components and the relationship between them. |
| **Annual IDP and Performance Management Review** | A process legally required of Municipalities to review the achievements of the implementation of the IDP, inclusive of the Performance Management system (PM system), required so as to make changes to the IDP and feed those plans into the budget and Service Delivery Budget Implementation Plan for the following financial year. |
| **Assessment** | The measure of data by means of a scoring process to assess if targets were reached. |
| **Auditing** | Auditing is required to ensure that the performance management system enjoy credibility and legitimacy from the public and other stakeholders. Performance reports are audited to ensure its accuracy, validity and reliability. |
| **Baseline Indicators** | These indicators show the status quo of a current situation. They are usually utilised in the planning phase to indicate the challenges of the municipality. They are important as they are used for reporting purposes. No targets or scores are attached to them. An example will be the number of indigent households. Baseline indicators are used in the situational phase of the IDP and the Annual Report status quo feedback |
| **Baseline Information** | Data on the current process (past achievement) that provides a metrics against which to compare improvements and to use as a benchmark. |
| **Blended learning** | A teaching and learning approach where eLearning and face-to-face workshops are combined. |
| **Community participation** | The involvement of communities and citizens in taking part in the affairs of their municipality to promote democratic and accountable governance. |
| **Composite Indicator** | A combined set of different indicators into one index by developing a mathematical relationship between them. |
| **Councillor** | Means a member of a municipal council. |
| **Effectiveness** | The degree to which an activity of initiative is successfully achieved against a set goal / strategic objective. |
| **Efficiency** | The degree of capacity or productivity of a process achieved such as the number of tasks achieved per unit cost. |
| **eLearning** | Learning that takes place via a technological platform. Also called online learning. |
| **eResource** | Any information or material that is available via a technological platform. Also known as an electronic or online resource. |
| **Evaluation** | Evaluation is the systematic assessment of the worth or merit of some object. It is also the systematic acquisition and assessment of information to provide useful feedback about a specific outcome. |
| **Event** | Occurrence of a particular set of circumstances. The event can be certain or uncertain. |
| **Indicator** | A metric is intended to be easy to measure and must comprise a unit, i.e. R-value, km, kl, date. Its intent is to obtain general information about performance trends by means of surveys, telephone interviews, etc. |
| **Inherent risk** | Risk that is built into a process in the absence of controls. |
| **Input** | Resources an organisation invest in a programme, such as time, staff, material, equipment and technology. |

| | |
|---|---|
| **Input indicator** | Resource consumed in business activities and processes such as money, labour, time and equipment. It measures economy and efficiency. |
| **Integrated Development Plan** | A five-year strategic planning instrument, reflecting the needs of communities and the strategies and objectives of the municipality in achieving its constitutional mandate. |
| **Internal controls** | Municipal processes, policies, devices, practices or other actions that act to minimise negative or enhance positive opportunities. It can also be viewed as processes that are designed to provide reasonable assurance of the achievement of municipal objectives. |
| **Key Performance Areas** | A group of metrics of performance success of a process or management system. |
| **Key Performance Indicators** | Performance indicators set by the municipality in consultation with the community whereby performance in achieving targets will be measured. |
| **Legislative framework for performance management** | The framework of legislation and policy guidelines prescribing the adoption and implementation of performance management systems. |
| **Likelihood** | The probability of a specified outcome. It can be expressed qualitatively or quantitatively. |
| **Measurable** | Ensuring that the tracking of the progress of a measure or activity is through data that is accessible and available with the least possible effort. |
| **Metric** | A performance indicator used to determine success or failure. Each objective must have a metric which will indicate the progress towards achieving a desired goal. |
| **Mitigate** | To reduce the impact or municipality of an event occurring. |
| **Monitoring** | Encompasses continuous verification of progress towards the achievement of objectives and goals. It includes the collection and analysis of data as well as the act of overseeing the progress to achieve specific outcomes. |
| **Objective** | Objectives can be defined in hierarchies to achieve vision, strategies and outcome results |
| **Outcome** | Results of a process, including outputs, effects and impacts. |
| **Outcome Indicator** | These are indicators that measure the quality and impact of services in terms of the achievement of overall objectives. In terms of quality they measure whether services meet set standards. |
| **Output Indicator** | This is an indicator that measures whether a set of activities or processes yielded the desired services. They are essentially expressed in a quantitative term (i.e. number, kl or % of). An example would be the number of households connected to electricity as a result of a municipality's electrification programme. |
| **Output** | The effectiveness of an organisation is measured by its outputs; describes how much of a particular service is being provided. |
| **Performance Agreement** | Agreement to be entered into with municipal managers and managers directly accountable to the municipal manager. |
| **Performance Management System** | A system developed by a municipality in terms of which performance of the organisation is continuously monitored to measure performance against set KPI's and targets. |
| **Performance Measures** | Quantifiable and qualitative measures showing where performance currently is in relation to the baseline and target. |

| | |
|---|---|
| **Performance Reporting** | Monthly, mid-year- and annual reporting on the performance of the municipality as required by legislation. |
| **Review** | An analysis undertaken at a fixed point in time to determine the degree to which stated objectives have been reached. It is generally used as a basis for decision-making, including updating plans. |
| **Risk** | The chance of something happening that will have an impact on objectives. It is often specified in terms of an event or circumstance and the consequences that may flow from it. It is measured in terms of a combination of the consequences of an event and their likelihoods. It may have a positive or negative impact. |
| **Risk management** | The culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects. |
| **Service Delivery** | In addition to basic municipal services it also refers to serving the community as contemplated in the Batho Pele White Paper. |
| **Service Delivery Budget Implementation Plan (SDBIP)** | The SDBIP is a management, implementation and monitoring tool that gives effect to the IDP and budget of the municipality. |
| **Severity** | Classification that indicates the level of harm caused by a risk event. Risks are analysed in terms of likelihood and severity of their impact. |
| **Strategic Objective** | The aim of the municipality within the defined priority issue and KPA as related to a specific service to be delivered. |
| **Strategy** | A hypothesis that proposes the direction a municipality should go to fulfil its vision and strategic objectives and to maximise the possibility of its future success. |
| **Target** | A quantitative measurement of the performance metric that is to be achieved by a given time. Both a metric and schedule need to be specified for targets. |
| **Weighting** | An indicator of the relative importance of a metric with respect to the other metrics within the same objective. |

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# ICONS

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|  | Definitions |
|  | Examples |
|  | Group Exercise |
|  | Individual Exercise |
|   | Important to note |
|   | Emphasis |
|  | Action points |
|  | Reports |

# MODULE INTRODUCTION

## Welcome

Welcome to this module of the **Operationalizing Performance Management in Local Government (Practitioners Stream).** We are excited to embark on this journey with you, and trust that you will enjoy the programme and benefit from it.

## Purpose and Objectives of this Module

The overall objectives of the programme are as follows:

- Planning and effectively implementing institutional and individual performance management in municipalities
- Supporting the implementation of strategies that enable the realisation of performance management objectives
- Implementing monitoring and evaluation of the performance management system
- Reporting on performance for financial and non-financial information

The focus of the programme includes:

- Legislation and compliance;
- Performance management planning;
- Implementing performance management;
- Monitoring and evaluation; and
- Performance reporting.

The module will consist of the units in the diagram below.

## Module Map

The training process for this module can be illustrated as follows:

***Figure 1 Module Map***



## Module Design and Assessment Strategy

This skills programme represents a blended approach to learning with a component of a contact session of four days as well as electronic learning. During the contact session, there will be facilitator led discussions and some activities (formative) will be completed. These formative activities will be used to gauge your progress. Formative assessment activities may be completed in groups, but the answers should always be presented in your own words.

After completion of the contact session you will have three weeks to prepare your summative assignment. In this document you will provide evidence of the knowledge you have gained, how this has influenced your approach and attitude towards a specific topic, as well as how you have applied your new skills in practice.

An electronic version of the assignment will be made available to you via email. It is recommended that you type your assignment, it is strongly recommended that you utilise the electronic POE template.

A number of requirements have been set for your POE formative and summative assignment. These requirements are linked to the outcomes specified at the beginning of each study unit. You have to provide sufficient evidence in terms of all the outcomes before you will be declared competent. Please complete all sections of the portfolio of evidence, as incomplete assignments will lead to 'not yet competent' assessment decisions.

An integrated assessment approach will be followed where learners will be assessed throughout the contact sessions as part of the formative assessment process. The summative assessment will be conducted at end of the programme. All formative assessments will reflect individual activities and group discussions, simulations, case studies and responses to scenarios.

The summative assessment will consist of knowledge questions, proof of the learner's ability to apply their new knowledge in their workplace, as well as reflections. A Portfolio of Evidence will reflect the product in which formative and summative assessment as well as workplace skills assessment can be ascertained.

## Learning Assumed to be in Place

It is assumed that people learning towards this skills programme are already competent in the following:

- Communication at NQF level 4
- Computer literacy at NQF level 4
- Mathematical Literacy at Level 4.

## Skills Programme Unit Standards

Below are the unit standards making up the skills programme:

| Sequence | Unit Standard ID | Unit Standard Title | NQF Level | Credits |
|---|---|---|---|---|
| 1 | US 15220 | Set, monitor and measure the achievement of goals and objectives for a team, department or division within an organisation. | 5 | 4 |
| 2 | US 116341 | Conduct performance management to a South African municipal environment. | 6 | 12 |
| 3 | US 337063 | Demonstrate knowledge and insight into the principles of monitoring and evaluation in assessing organisation and/or programme performance in a specific context. | 5 | 5 |
| 3 unit standards | | | | 21 |

# Unit Standards Aligned to Programme

## Unit standard 1

**Conduct performance management to a South African municipal environment**

| SAQA US ID | UNIT STANDARD TITLE | | | |
|---|---|---|---|---|
| 116341 | Conduct performance management to a South African municipal environment | | | |
| **ORIGINATOR** | | | | |
| SGB Public Administration and Management | | | | |
| **PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY** | | | | |
| - | | | | |
| **FIELD** | | | **SUBFIELD** | |
| Field 03 - Business, Commerce and Management Studies | | | Public Administration | |
| **ABET BAND** | **UNIT STANDARD TYPE** | **PRE-2009 NQF LEVEL** | **NQF LEVEL** | **CREDITS** |
| Undefined | Regular | Level 6 | Level TBA: Pre-2009 was L6 | 12 |
| **REGISTRATION STATUS** | | **REGISTRATION START DATE** | **REGISTRATION END DATE** | **SAQA DECISION NUMBER** |
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| **LAST DATE FOR ENROLMENT** | | **LAST DATE FOR ACHIEVEMENT** | | |
| 2024-06-30 | | 2027-06-30 | | |

## Unit standard 2

**Demonstrate knowledge and insight into the principles of monitoring and evaluation in assessing organisation and/or programme performance in a specific context**

| SAQA US ID | UNIT STANDARD TITLE | | | |
|---|---|---|---|---|
| 337063 | Demonstrate knowledge and insight into the principles of monitoring and evaluation in assessing organisation and/or programme performance in a specific context | | | |
| **ORIGINATOR** | | | | |
| Task Team - Public Sector | | | | |
| **PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY** | | | | |
| - | | | | |
| **FIELD** | | | **SUBFIELD** | |
| Field 03 - Business, Commerce and Management Studies | | | Public Administration | |
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| Undefined | Regular | Level 5 | Level TBA: Pre-2009 was L5 | 5 |
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| 2024-06-30 | | 2027-06-30 | | |

## Unit standard 3

**Set, monitor and measure the achievement of goals and objectives for a team, department or division within an organisation**

| SAQA US ID | UNIT STANDARD TITLE | | | |
|---|---|---|---|---|
| 15220 | Set, monitor and measure the achievement of goals and objectives for a team, department or division within an organisation | | | |
| **ORIGINATOR** | | | | |
| SGB Generic Management | | | | |
| **PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY** | | | | |
| - | | | | |
| **FIELD** | | | **SUBFIELD** | |
| Field 03 - Business, Commerce and Management Studies | | | Generic Management | |
| **ABET BAND** | **UNIT STANDARD TYPE** | **PRE-2009 NQF LEVEL** | **NQF LEVEL** | **CREDITS** |
| Undefined | Regular-Fundamental | Level 5 | Level TBA: Pre-2009 was L5 | 4 |
| **REGISTRATION STATUS** | | **REGISTRATION START DATE** | **REGISTRATION END DATE** | **SAQA DECISION NUMBER** |
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| **LAST DATE FOR ENROLMENT** | | **LAST DATE FOR ACHIEVEMENT** | | |
| 2024-06-30 | | 2027-06-30 | | |

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# Unit 1: Overview of Performance Management in Local Government

## Learning Outcomes

On completion of this unit, you will be able to:

- Define the concept of performance management.
- Explain how performance management fits into municipal service delivery.
- Establish the importance of managing performance in local government.
- Understand the performance management challenges in local government in South Africa.

## Key Concepts

Performance Management System, Integrated Development Plan, Service Delivery Budget Implementation Plan, Service Delivery, Performance Reporting, Key Performance Indicators, Medium Term Revenue and Expenditure Framework, Measurement, Monitoring and Evaluation.

## 1.0 Introduction to Performance management in local government in South Africa

Since the advent of the developmental local government system in 2000, various pieces of legislation have been introduced to institutionalise the new system of local government in particular the Municipal Systems Act (MSA), 2000 which ushered a system of performance management for municipalities.

Judged from its inception, the jury is out as to whether the performance management as regulated has had the desired impact in as far as the realisation of transformational improvements in service delivery and good governance. Whilst there have been notable improvements in the institutionalisation of performance management in the local government sector, certain stubborn challenges remain as evidenced by Auditor General of South Africa (AG) outcomes which often point to lapses in performance management rendering some municipalities, at best, being unable to move to a level of high performing organisation or, at worst, being dysfunctional.

Performance management falls both within areas of addressing service delivery and planning and impacts positively on municipal service delivery as it cuts across all municipal operations and it is therefore a critical mechanism to measure, manage, monitor and report on progress at a local government sphere.



Performance management is defined as a management tool through which a municipality can plan, manage, monitor and review the performance of the municipality and its employees to measure the progress made in achieving the objectives set out in the Integrated Development Plans (IDPs) and further measure the efficiency, effectiveness and impact of its service delivery.

The initial phase after the transition to democracy in South Africa was on policy development. This was later overtaken by a systematic government approach to improve service delivery through efficient, economic and effective service processes. As the local sphere of government was developed, there came about an increased emphasis on performance management to ensure that government is more effective, efficient and economical in its actions. Through performance management the quality of service delivery can be improved.

Improving performance to promote enhanced service delivery has been re-emphasised as a key priority of government after the 2009 elections. The document *Improving Government Performance: Our Approach* (2009) states very clearly that performance management is required to ensure that the state performs optimally in relation to public expectation.

This supports the requirements of the MSA (2000) that municipalities must establish and implement performance management systems to ensure that government outcomes, especially related to the provision of quality service delivery, are met.

Such a performance management system is the cornerstone of a strategic management system aimed at linking long-term strategy to short-term actions. Within this framework, the three functions of management namely strategic planning, budgeting and performance management lie at the root of managing an organisation successfully. The successful integration of these three functions ensures effective and efficient service delivery within a municipality.



If any of these functions are not adhered to, the performance of the organisation will be jeopardised.

The aim of a performance management system is to help to clarify institutional and individual roles, arrangements and controls with regards to the management of performance. It is an integrated approach that links organisational performance to individual performance. This integration is achieved through a cascading process where organisational objectives and targets are linked to employee performance achievements. Through this integration, the performance management system promotes accountability as well as improved decision-making and service delivery.

Service delivery or the application of activities that will ensure the achievement of strategies is achieved through the implementation of various performance management phases (planning, monitoring, reporting and evaluation). Performance management therefore becomes the primary mechanism to plan, monitor, review and improve on activities to identify what policies and processes best contribute towards the achievement of improved service delivery.

In order to ensure that municipal service delivery is as effective, efficient and economical as possible, municipalities are required to formulate strategic plans, allocating resources via a municipal budgeting process; and monitor and report on the results as required by legislation. This requires the development of an IDP to set the strategic objectives of the municipality, a budget to allocate the financial resources to key objectives and a Service Delivery Budget Implementation Plan (SDBIP) that assign municipal activities and resources to the achievement of strategic objectives.




It is important to note that the implementation of activities based on the SDBIP within a municipality will not necessarily achieve its strategic objectives. To ensure alignment, the performance of the municipality must be managed through the implementation of a performance management system. In this way the performance management system becomes the 'glue' to ensure that activities and resources are applied towards the achievement of the strategic objectives of a municipality.

Information makes up the chemical composition of this 'glue'. Performance information and management is essential to focus attention of stakeholders on performance of individual municipalities against their IDPs and SDBIPs.




Thus, the collection and management of information with regard to performance is critical for effective operational planning, monitoring and evaluation required to enhance accountability.

Such information is provided in the forms of performance reports.

In the municipal context, a comprehensive and elaborate system of monitoring performance of municipalities has been legislated. The system is intended to continuously monitor performance of municipalities in fulfilling their developmental mandate. If developed properly the performance management system can become a powerful tool for building a high performance municipality and bridging the gap between planning and implementation.

The aim of this Unit is to emphasise the need for performance management in local government as well as to highlight the challenges related to performance that local government faces.

## 1.2 Defining Performance Management and Related Concepts

In order to understand the scope and application of performance management within a municipal context, we need to understand the meaning of the term.



**Performance management** is most commonly thought of as a technique applied to the performance of organisations and employees. It is a multidimensional construct, the measurement of which varies depending on a variety of factors.

In general performance management can be defined as a systematic approach to ensure the improvement of performance through an ongoing process of establishing strategic objectives. This is done by measuring performance, aligning priorities, collecting and analysing data, reviewing and reporting on data and using the data to improve performance.

Based on this definition, it is clear that performance management comprises of four distinct processes namely ***planning/ review***, ***monitoring***, ***reporting*** and ***evaluation***. Within this context performance management applied within a municipal context can be defined as below:



Performance Management is a strategic approach to management, which equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the Municipal Council in terms of indicators, to determine its efficiency, effectiveness and impact; thereby ensuring improved service delivery and value for money to the community and citizens.

Performance management is thus a powerful tool that can be applied to the performance of an organisation. It is the outcomes of work because it provides the strongest link to the strategic objectives of the municipality, customer satisfaction and economic contributions.



A **performance management system** refers to the tools used by an organisation to ensure that its performance is planned, monitored, reported on and evaluated on a continuous basis.

Within this framework a municipal performance management system makes provision for the development of an IDP, Medium Term Revenue and Expenditure Framework (MTREF), budget, SDBIP and employee performance plans as tools to plan for performance, a performance monitoring system to measure performance, a reporting system to give an overview of performance achieved against set targets and an evaluation system to determine the impact of municipal service delivery.

At this point it is important to briefly refer to the definition of measurement as this is the basis upon which a municipality monitors its performance based on outputs against set outcomes.



**Measurement** is essentially the process of analysing the data provided by the monitoring system in order to assess performance.

Monitoring is the measurement through time that indicates the movement towards objectives, or away from it.

Performance is measured against the achievement or non-achievement of targets. Measurement is therefore used as an early warning monitoring system and a risk assessment tool. The benefits of applying measurement within the performance management system is that it provides strategic focus and direction to the organisation; improves governance and accountability; promotes alignment and transparency; and improves management effectiveness.




As already mentioned, performance management consists of two inseparable, integral components, namely:

- organisational performance management to determine whether the municipality is achieving its strategic objectives; and
- employee performance management to determine how well employees perform their duties towards the achievement of the municipality's objectives.

**Organisational performance management** entails the development of priorities aligned to the Municipal strategy as well as the development of strategic objectives under the five key performance areas, programmes, projects, Key Performance Indicators, baselines and targets. Within the municipal strategic plan, objectives are set to define the municipality's vision/mission statement, provide motivation for organisational plans, and form the basis for recognising and measuring accomplishments of success.

**Employee performance management** is integrally linked to organisational performance management where organisational objectives are cascaded down to become the responsibility of municipal employees to execute. Employee performance management is therefore the continuous process of communicating and clarifying job responsibilities, priorities and performance expectation in order to assign tasks to employees that they will be held accountable for. It is one of the key processes that, when effectively carried out, will help employees to know that their contributions towards the achievement of municipal strategies are recognised and acknowledged.

The responsibility of performance in a municipality takes on a hierarchical structure. The municipal manager (Accounting Officer) and his/her senior team (senior managers) are responsible to council for the overall performance of the municipality. Departments and divisions align their business plans to align strategies set for the organisation in the IDP and these are cascaded to employees to ensure execution, the organisation will operate optimally within its budgetary framework.

In conclusion, performance management must be set up as a tool to plan, monitor, report and evaluate municipal activities. This implies that performance management should form an integral part of municipal governance. Good governance implies accountability, integrity and transparency of local government actions in defining and pursuing the strategic intent.

## 1.3 The need for effective performance management in local government

### 1.3.1 Performance Management in the Context of Municipal Service Delivery

One of the more frequently heard criticisms of local government is that it is not delivering the required services or it is not delivering an efficient standard of service. Performance management for local government contributes to creating a performance culture in the public service at municipal level.

Performance management is a mechanism that is used to ensure that the municipality is doing its work and delivering on its mandate. Performance management for local government contributes to creating a performance culture in the public service at municipal level.

Performance management is about setting indicators of performance and measuring achievements against these indicators. A performance management system (PMS) is a useful tool to determine underperformance or non-performance thus allowing for required intervention. A PMS is also able to act as an early warning mechanism as it reflects non-performance or underperformance, thus allowing for relevant intervention for improvement.

If, during the assessment of a person's performance, it is shown that they have not met the required performance targets, an attempt is made to provide assistance and support to achieve sufficient output. If there is a continuous underperformance or non-performance remedial or punitive action can be taken by the council, such as suspension from office, disciplinary processes and termination of the contract.

Each employee of the municipality is required to have a performance management contract that holds them accountable to their employer for delivery against key performance indicators (KPIs) that are contained in their performance management contract. These individual contracts follow best practice in both the public and private sector, where employees are required to set performance indicators with their employer and to work towards achieving these indicators and targets. This measures their output and performance and contributes to the overall effectiveness of the employee.

In this respect the employee of the municipality plays an important part in the organisational performance of the municipality. Each employee should be aware that their functions and responsibilities contribute to a municipality that delivers on its mandate. Each individual performance contract will be linked with the long and short term goals of the municipality contained in their IDP and SDBIP.

As is being discussed in this section, there are a number of potential benefits that can emanate from the effective and efficient implementation of a performance management system within local government. These benefits include:

- Improved service delivery;
- Achievement of government's socio-economic objectives such as equity, reduced unemployment, higher gross domestic product (GDP), reduced inflation, higher disposable income amongst households, happier communities and many other indirect positive impacts within communities;
- 'Cleaner' audits;
- Higher confidence by community members; and
- Local government attracting a higher calibre of employees.

## 1.4 Performance management challenges in local government

### 1.4.1 Overall performance management challenges

There are a number of challenges that local government has faced with respect to performance management. These challenges stretch from findings reported by the Audit General (emanating from regularity audits), National Treasury (NT), Department of Cooperative Government and Traditional Affairs (COGTA), South African Local Government Association (SALGA) and other stakeholders. Some of the documented findings are noted below:

- Municipalities produce performance reports with material flaws and not credible enough for the council or the public to use.
- Poor performance planning and budgeting resulting in unauthorised expenditure.
- Failure to manage performance on development and maintenance of infrastructure.
- Insufficient implementation and maintenance of financial and performance management systems by the administration - Inadequate skills lead to a lack of oversight by councils (including the mayor) and insufficient implementation and maintenance of financial and performance management systems by the administration.
- Inadequate performance systems and processes - leadership's inaction, or inconsistent action, created by a culture of 'no consequences', often due to inadequate performance systems and processes.
- Lack of systems to track performance and to collect, collate and record information about actual performance.
- No policies or procedures to measure / evaluate staff performance.
- High levels of material non-compliance with key local government legislation at most of the municipalities.
- Inadequate access to basic services and the lack of economic development by communities and businesses.
- Non credible performance reporting.
- Inefficient revenue billing and payment systems.

Facts that influence performance of local government that have been noted by the AG (2016/17 financial year audit reporting) are noted below:

- The overall audit outcomes of the 257 municipalities in the country have regressed.
- Of the 257 municipalities audited, 45 regressed and only 16 improved. Only 33 municipalities (13%) managed to produce quality financial statements and performance reports and complied with all key legislation, therefore receiving a clean audit.
- Not only did the unqualified opinions on the financial statements decrease from 68% to 61%, but the financial statements provided to us for auditing were even worse than in the previous year.
- Only 22% of the municipalities could give AG financial statements without material misstatements. In addition, the performance reports of 62% of the municipalities that produced reports had material flaws and were not credible enough for the council or the public to use.

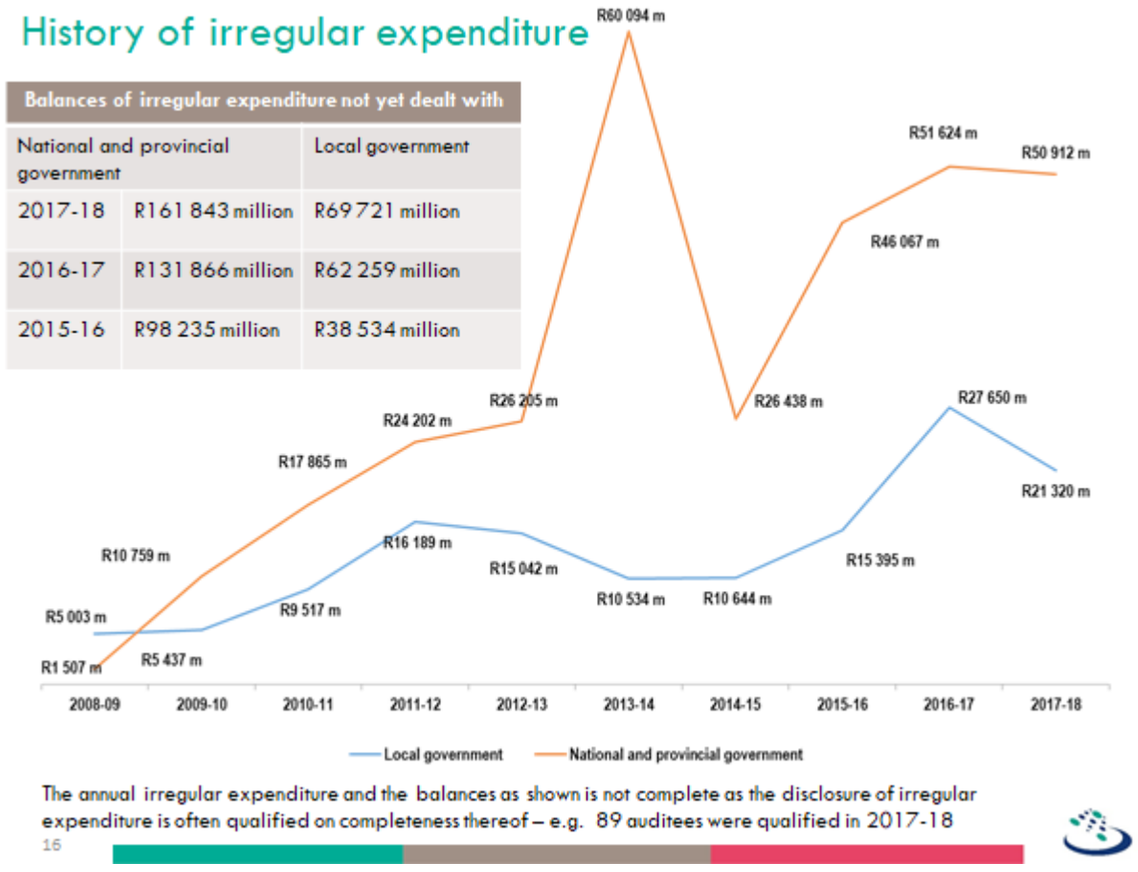
- Irregular expenditure increased from R16.21-billion in the previous year to R28.37-billion (in current Rand value) in the year under review. However, municipalities made a significant effort in the 2016/17 overviews to identify and transparently report irregular expenditure incurred in the previous years.
- R15-billion of the total irregular expenditure was incurred in prior years but only identified and reported in 2016/17.
- The remaining R13.35-billion relates to payments or expenses incurred in the 2016/17 financial year by the new local government administrations which took over in August 2016, and it represented 4% of the local government expenditure budget.
- Recommendations made by AG's office during 2015/16 to improve accountability and audit outcomes did not receive the necessary attention at most municipalities.
- This is evidenced by the findings from our audits that included attention not being paid to audit action plans, poor performance planning and budgeting, resulting in unauthorised expenditure of R12.6-billion and regression of varying degree in the status of internal control.
- Contract management and procurement are two of the main issues that municipalities are struggling to comply with in legislation.

The report with findings above covered 257 municipalities and 21 municipal entities for the 2016/17 financial year.

### 1.4.2 Irregular Expenditure in local government

Below is a diagrammatic picture of some of the elements of performance of local government as reported by the AG for the past 10 years (2008/09 to 2017/18):

***Figure 2 History of Irregular Expenditure in Local Government***




***Source:*** Public Audit Amendment Act. AG. Presentation March 2019.

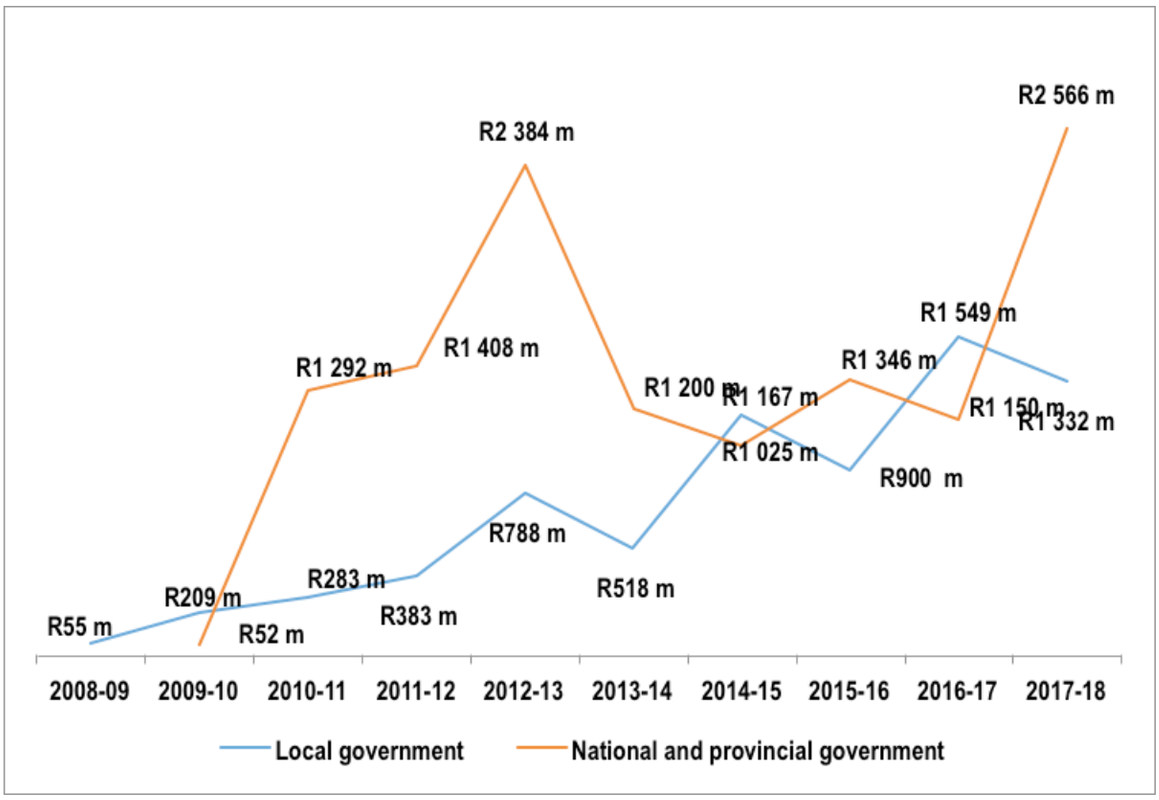
As can be seen on the diagram above, irregular expenditure has been on an upward trend in local government, largely representing expenditure incurred not in accordance with the prescribed legislation.



**Irregular expenditure means** expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA), Public Office-Bearers Act or supply chain management policy or by-laws giving effect to such policy, and which has not been condoned in line with legislation or such policy or by-law.

### 1.4.3 Fruitless and Wasteful Expenditure in Local Government

***Figure 3 History of Fruitless and Wasteful Expenditure in Local Government***




***Source:*** Public Audit Amendment Act. AG. Presentation March 2019.

As can be observed from the graph above, fruitless and wasteful expenditure has been on the rise since the past years to the 2017/18 financial year. The amount of fruitless and wasteful expenditure is a part indicator of financial performance in municipalities.



Fruitlesss and wasteful expenditure is expenditure that was made in vain and would have been avoided has reasonable care been exercised.

Some of the cited potential reasons for igniting continuous poor performance of municipalities can be noted as below:

- Blatant disregard for controls, compliance with legislation and AG recommendations,
- Continued capacity gap in administration,
- Vacancies and instability slow down systematic and disciplined improvements,
- Unethical behaviour in administration and by political leaders, and
- Leadership's inaction / inconsistent action to addressing persistent transgression creates culture of 'no consequences'.

## 1.5 The need for change

Given the significant challenges highlighted in the section above with respect to the local government performance management, there is need to introduce robust interventions that will see the effective development and implementation of a performance management system that achieve the intended results. Change may be required in the following areas:

- Development and implementation of PMS.
- Monitoring and evaluation of PMS.
- Reporting on PMS.
- Skills development.
- Culture of management and officials with respect to performance.
- Leadership approach to consequence management.
- Integrating individual and institutional PMS.
- Management style.
- Information technology supporting PMS.
- Performance management and related policies.
- Performance management strategy.
- Institutional structures supporting performance management.

**Reflection**

| | |
|---|---|
|  | Individual Activity |
| Time Allocation | 10 minutes |
| Activity Requirements | Reflect on some of the performance management challenges that your municipality is experiencing and possible solutions. |

## 1.6 Conclusion

It can be concluded that there are significant mechanisms that have been introduced in local government to transform the space and see enhanced service delivery in local government. The concept of performance management requires a synchronised approach to managing key processes such as strategic planning (IDP), budgeting (MTREF) and operational planning (SDBIP), having performance management as a central platform to ensure the achievement of municipal objectives.

However, despite these interventions, the local government faces a number of performance related challenges which require attention, should the accomplishment of local government objectives be priority.

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SALGA
Inspiring service delivery

# Unit 2: Legislative Framework for Performance Management in Local Government

## Learning Outcomes

On completion of this unit, you will be able to:

- Understand the legislation governing performance management in municipalities.
- Explain the instructive instruments and other frameworks influencing performance management in local government.

## Key Concepts

Performance management system, legislative framework, policy, community participation, Integrated Development Plan, Service Delivery Budget Implementation Plan, Service Delivery, Performance Reporting, Performance Agreement, Key Performance Indicators.

## 2.0 Legislative Framework for a Performance Management System in the South African Municipal Environment

### 2.1 Introduction

This unit seeks to introduce you to the various legislative and instructive instruments that regulate performance management in local government as well as other policy and guidelines that seek to shape and influence the performance management platform in local government. It is recommended that you obtain copies of the various legislative documents and read through them as you work through the content of this unit to familiarise yourself with all legislation related to municipal performance management.

Performance management does not exist in a vacuum; the legal and regulatory frameworks governing local government requires municipalities to develop and implement performance management. These include various pieces of legislative, regulatory and policy frameworks which enables and clearly prescribes the obligations and responsibilities to be fulfilled for effective implementation.

The inception of the 1996 Constitution and the consequent adoption of the White Paper on Local Government in 1998 marked the end of transitional local government. Through a range of legislation established since then, a new democratic and non-racial local government system has been put in place. This legislation provides the framework in terms of which municipalities structure their political and administrative functions with particular emphasis on the developmental mandate municipalities have been given by the Constitution. Each municipality is legally required to develop a PMS that will enhance organisational efficiency and effectiveness, account for the use of municipal resources and indicate the achievement of outcomes.

The requirement that government is performance driven is found in the Batho Pele White Paper, 1997 that stipulates that national and provincial government departments develop performance management systems that include the setting of service delivery indicators and the measurement of performance. The White Paper on Local Government, 1998 expands upon the Batho Pele vision. The White Paper states that developmental local government will be realised through; integrated development planning and budgeting, performance management and working together with local citizens and partners. The Municipal Structures Act, 1998 and the MSA, 2000 are the two pieces of legislation that give effect to the White Paper.

In the following section an overview and brief description of the most important legislation, policy documents, guidelines, frameworks and reports pertaining to municipal performance management will be provided. A description of how it is

applied within the municipal framework is also provided. Make notes for yourself as you read through the information to ensure that you understand the essence of each prescript.

## 2.2 The Constitution of the Republic of South Africa, Act 108 of 1996

| Description | Application |
|---|---|
| The Constitution, which is also the supreme law of the country, gave municipalities the status of a third sphere of government. Chapter 7 of the Constitution deals extensively with local government matters and provides for the establishment of different kinds of municipalities, the powers and functions to be executed by such municipalities as well as the effective performance of such functions. | Section 152 of the Constitution spells out the objects or aims of a municipality and guides each municipality in all its activities, including its planning and service delivery process. More specifically it states that the objectives of local government is to:<br>a) provide democratic and accountable government for local communities;<br>b) ensure the provision of services to communities in a sustainable manner;<br>c) promote social and economic development;<br>d) promote a safe and healthy environment; and<br>e) encourage the involvement of communities and community organisations in the matters of local government. |

## 2.3 Acts

### 2.3.1 The Local Government: Municipal Structures Act, No 117 of 1998

| Description | Application |
|---|---|
| The Local Government Municipal Structures Act, 117 of 1998 provides for the establishment of municipalities in accordance with the requirements relating to categories and types of municipalities. It also provides for an appropriate division of functions and powers between categories of municipalities as well as the regulation of the internal systems, structures and office-bearers of municipalities. | Not only does the Municipal Structures Act place an obligation on municipalities to achieve the objects set in section 152 of the Constitution, but it unequivocally sets the responsibility for establishing Key Performance Indicators (KPIs) and attaining the standards set by them, at the highest level in municipalities.<br><br>That is why the executive mayor is tasked with the duty to identify and develop criteria for KPI's. It is also his/her duty to evaluate and review progress on an ongoing basis. |

### 2.3.2 The Local Government: Municipal Systems Act (MSA) and its Amendment Acts

#### 2.3.2.1 The Local Government: MSA, No 32 of 2000

| Description | Application |
|---|---|
| The MSA provides for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all. It is important to note that it establishes a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the notion of developmental local government. | The MSA requires the development of a PMS. It in fact places a legal obligation on all municipalities to:<br>• Establish a performance management system;<br>• Set targets, monitor and review performance based on indicators linked to their IDP;<br>• Publish an annual report on performance for the council, staff, the public and other spheres of government;<br>• Incorporate and report on a set of general indicators prescribed nationally by the minister for Local Government. |

| Description | Application |
|---|---|
| The MSA gives very specific attention to performance management as a whole chapter is devoted to it, indicating the concern of parliament with the question of local government accountability for service delivery. | • Have their annual performance report audited by the AG; and<br>• Involve the community in setting indicators and targets and reviewing municipal performance.<br><br>It is important to note that performance management in the context of this Act does not refer to performance of employees others than Section 56 employees. While the two are related and the Act requires that senior officials are appointed on performance contract, there is no legal requirement that a municipality should have a performance management system for its employees. Performance Management in Chapter 6 of the Act refers to management of the municipality as an organisation. |

#### 2.3.2.2 The Local Government Municipal Systems Amendment Act, No 44 of 2003

| Description | Application |
|---|---|
| The Municipal Systems Amendment Act makes provision for the additional assignment of functions and powers to municipalities and prescribes the submission of annual performance reports by municipalities. | Sec 46 of the Act states that a municipality must, for each financial year, prepare a performance report that reflects:<br>• The performance of the municipality and of each service provider during that financial year;<br>• A comparison of the performance in relation to targets set in the previous financial year;<br>• The development of service delivery priorities and the performance targets set by the municipality for the next financial year; and<br>• Measures taken to improve performance. |

### 2.3.3 The Municipal Finance Management Act (MFMA), No 56 of 2003

| Description | Application |
|---|---|
| The MFMA is probably the most important piece of legislation relating to performance measurement as it establishes a very clear and strict framework to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government. It establishes sound treasury norms and standards for performance measurement and reporting and provides for action against responsible persons for non-compliance.<br><br>The MFMA reinforces the provisions on municipal performance management as set out in the Systems Act by introducing a performance element into budgeting and financial reporting within the local government sphere. | It is important to note that the MSA focuses on establishing processes and procedures for strategic planning and performance management in municipalities.<br><br>This is complemented by MFMA provisions relating to the broader framework for integrating strategic planning, budgeting and performance management within a municipality.<br><br>The MFMA's requirements in terms of performance management starts with the budgeting process as the annual budget is one of the most important management tools of any municipality.<br><br>Section 17(3) of the MFMA starts off the whole process by requiring the setting of measurable performance objectives in the early stages of the budgeting process.<br><br>While other legislation prescribes the procedures and requirements for a performance management system, the MFMA focuses heavily on reporting on financial issues and performance with very clear instructions and guidelines with regard to roles and responsibilities of the mayor, chief financial officer and the accounting officer of the municipality – the municipal manager. |

### 2.3.4 Public Audit Amendment Act, Act 5 of 2018

| Description | Application |
|---|---|
| The Public Audit Amendment Act makes provision for the additional assignment of functions and powers of the AG.<br><br>The Public Audit Act assigns functions to an Auditor-General, provides for the auditing of institutions in the public sector and provides for accountability arrangements of the Auditor-General. | The act amended the Public Audit Act of 2004 by providing for certainty regarding the discretion of the AG with regard to certain audits as well as authorising the AG to undertake performance audits and to provide audit or audit related services to an international association, body, institution or organisation.<br><br>The amendment Act of 2018 provides for the AG to refer suspected material irregularities arising from an audit performed under this Act, to a relevant public body for investigation. It also empowers the AG to take appropriate remedial action and to provide for the AG to issue a certificate of debt where an accounting officer or accounting authority failed to recover losses from a responsible person and to instruct the relevant executive authority to collect the debt. The amendment Act, amongst other matters, provides that the AG makes regulations on specific issues. |

**Activity 1a**

| | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 30 minutes |
| Activity Requirements | Discuss the following pieces of legislation and explain how they impact the process of performance management in local government in South Africa.<br>a) Municipal Systems Act, 2000 amended<br>b) Municipal Finance Management Act, 2003<br>c) Public Audit Amendment Act, 2018 |

## 2.4 Regulations

### 2.4.1 The Local Government: Municipal Planning and Performance Management Regulations, Notice 7967 of 2001

| Description | Application |
|---|---|
| The Regulation were published in terms of Section 120 of the MSA to regulate the matters listed in Section 49 and were meant to set out the requirements for performance management systems in more detail.<br><br>The regulations include:<br>• The national Key Performance Indicators (KPIs) on which all municipalities are required to report; | The regulations form a very important part of the establishment and sustainability of the performance management system and set certain criteria which the municipality's performance management system must comply with. These include amongst others:<br>• Procedures for the adoption of the system;<br>• The procedures and guidelines for setting of KPIs;<br>• The listing of the seven national KPIs as determined by national government;<br>• The reviewing of the KPIs;<br>• The setting of performance targets for officials, councillors, service providers and administrative units; |

| Description | Application |
|---|---|
| • The requirements for both internal and external audit processes of municipal performance. | • The monitoring, measurement and review of performance; and<br>• The auditing of performance measures.<br><br>Regulations 7 to 14 provide detail on the requirements for the performance management system developed for a municipality. |

### 2.4.2 Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, Notice 805 of 2006 (as amended 2011, 2014)

| Description | Application |
|---|---|
| These Regulations seek to set out how the performance of municipal managers will be uniformly directed, monitored and improved. The regulations address both the employment contract of a municipal manager and the managers directly accountable to the municipal manager (Section 57 managers). In terms of section 57 of the MSA a person to be appointed as a municipal manager or manager directly accountable to the municipal manager may only be appointed in that position in terms of an employment contract and a separate performance agreement. | The Employment Contract of Section 57 managers, subject to labour legislation, specifically delineates the terms of employment such as:<br>a) details of duties;<br>b) remuneration; and<br>c) benefits<br><br>The Performance Agreement provides assurance to the municipal council of what can and should be expected from their municipal manager and managers directly accountable to municipal manager. The purpose thereof is to:<br>• Comply with the provisions of Sections 57(1)(b), (4A), (4B) and (5) of the Act as well as the employment contract entered into between the parties;<br>• Specify objectives and targets defined and agreed with the employee and to communicate to the employee the employer's expectations of the employee's performance and accountabilities in alignment with the IDP, SDBIP and the budget of the municipality;<br>• Specify accountabilities as set out in a performance plan, which forms an annexure to the performance agreement;<br>• Monitor and measure performance against set targeted outputs;<br>• Use the performance agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job;<br>• In the event of outstanding performance, to appropriately reward the employee; and<br>• Give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.<br><br>Together, the performance agreement and plan will be most effective when considered in the context of enabling the implementation of a municipality's IDP. As such, they should simultaneously create an enabling environment for enhanced performance and accountability. |

### 2.4.3 MFMA: Municipal Regulations on Minimum Competency Levels, Notice 493 of 2007

| Description | Application |
|---|---|
| The regulation was issued in terms of Section 168 of the MFMA to provide for general and minimum competency levels of accounting officers, chief financial officers, senior managers, other financial officials and supply chain management officials of municipalities and municipal entities. | The regulation prescribes the educational qualification, work experience, core managerial and occupational competence and financial and supply chain management competence required for the relevant officials.<br><br>The regulation also prescribes the assessment, reporting on and monitoring of the attainment of competence levels to be included in performance agreements. |

### 2.4.4 Government Gazette 32141: MFMA: Municipal Budget and Reporting Regulations, Notice 393 of 2009

| Description | Application |
|---|---|
| This regulation was promulgated to provide information on the budget and budget related matters of municipalities. It indicates general provisions as well as budget-related policies required by municipalities.<br><br>Annual budgets of municipalities and the format and funding for expenditure are also discussed.<br><br>In addition, information on budget requirements and in-year reporting requirements also receives attention. Chapter 5 deals with the framework for unforeseen and unavoidable expenditure, whilst Chapter 6 focuses on unauthorised, irregular or fruitless and wasteful expenditure. | Schedule A provides information on the annual budget and supporting documentation of Municipalities. It states that an annual budget and supporting documentation of a municipality must have all the headings in the sequence shown in the provided table of content.<br><br>Part 2: Supporting documentation include information on the overview of the budget process; measurable performance objectives and indicators; overview of budget-related policies; overview of budget assumptions and funding; expenditure allocations and grant programmes; councillor and board member allowances and employee benefits; monthly targets for revenue, expenditure and cash flow, etc. Detailed information on the tables and templates to use for budgeting is also provided in this notice.<br><br>Section 2 of Part 2 provides specific detail pertaining to the alignment between the annual budget and the IDP. |

**Activity 1b**

| | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 10 minutes |
| Activity Requirements | Discuss the following pieces of legislation and explain how they impact the process of performance management in local government in South Africa.<br><br>a) The Local Government: Municipal Planning and Performance Management Regulations, Notice 7967 of 2001. |

## 2.5 White Papers and Green Papers

### 2.5.1 The White Paper on Transforming Public Service Delivery, 1997

| Description | Application |
|---|---|
| The White Paper on Transforming Public Service Delivery, or better known as the Batho Pele Principles, states that the development of a service oriented culture requires the active participation of the wider community.<br><br>The eight Batho Pele principles are:<br>• Consultation<br>• Service Standards<br>• Access<br>• Courtesy<br>• Information<br>• Openness and Transparency<br>• Redress<br>• Value for Money | Municipalities should ensure that the Batho Pele principles are applied as follows:<br>• Consultation. Citizens should be consulted about the level and quality of public service they receive, and where possible be given an opportunity to influence municipal spending.<br>• Service Standards. Citizens should be informed about service delivery and the levels thereof they can expect.<br>• Access. All citizens should have equal access to services.<br>• Courtesy. Citizens should be treated with courtesy and consideration.<br>• Information. Citizens should be given full and accurate information about public services.<br>• Openness and Transparency. Citizens should know how municipal Departments are run, how resources are utilised and who manages different services.<br>• Redress. If the promised standard of service is not delivered, citizens should be offered an apology, explanation and a speedy and effective remedy; and when complaints are made citizens should receive a sympathetic, positive response.<br>• Value for Money. Public services should be economic and efficient in order to give citizens the best possible value for money. |

### 2.5.2 The White Paper on Local Government, 1998

| Description | Application |
|---|---|
| The White Paper was arguably the most important policy document ever published in the history of local government in South Africa. It paved the way for effective legislation governing the demarcation and structures for municipalities and completing the circle for transformation of local government. | With regard to performance management in municipalities the White Paper noted that a national performance management system is required to assess the overall state of local government, monitor the effectiveness of development and delivery strategies adopted by different municipalities and ensure that scarce resources are utilised efficiently.<br><br>It would provide “early warning” where municipalities are experiencing difficulties, and enable other spheres of government to provide appropriate support before a crisis develops.<br><br>It also enables municipalities to compare their own performance to that of similar municipalities across the country, identify successful approaches or best practice and learn from them. |

### 2.5.3 Improving Government Performance: Our Approach, 2009

| Description | Application |
|---|---|
| Also called the Green paper on Performance Monitoring and Evaluation, this document was developed with the aim of translating Government's electoral mandate into a clear set of outcomes and output measures. It is envisaged that these outcomes and output measures will assist Government in delivering on the ten priority areas in the Medium-Term Strategic Framework. The Green Paper focuses on the principles of the outcomes approach to performance management. It complements the Green Paper on National Strategic Planning and introduces reforms that will facilitate improvements towards the developmental state. | Performance management must be seen as a means to achieve success. Outcome and output measures must be used to promote a change in behaviour and create a culture of performance.<br><br>This requires a shift in the emphasis from inputs to managing for outcomes. The complete delivery chain that starts with the outcome and outcome measure, then defining the output measures to check whether delivery is on track, requires attention.<br><br>Outcome and output measures must be used to promote a change in behaviour and create a performance culture.<br><br>Data obtained from the monitoring and evaluation process must be used to inform the planning process.<br><br>This requires a shift in focus from inputs such as budget, personnel and equipment to managing for outcomes. Managing for outcomes requires attention to the full delivery chain starting with the outcome and outcome measure that should be achieved and then defining the output measures that must be used to check whether delivery is on track.<br><br>The Outcomes Approach to performance management provides the framework for achieving this delivery chain. |

### 2.5.4 Green Paper: National Strategic Planning, 2009

| Description | Application |
|---|---|
| The Green Paper sets out an institutional framework for planning and describes the outputs of planning. The Green Paper provides information on the role of sub-national spheres of government in national planning. The Green Paper indicates that the outcomes of the planning of all spheres of Government will feed into the development of the National Strategic Plan. This Plan will in turn define high level outcomes and impacts. Operational plans of all spheres of Government must take account of the broader Plan. The Green Paper states that it is the function of the Executive in various spheres of Government to ensure that appropriate policies and strategies are developed. | According to the Paper, planning should not be unidirectional, rigid or top-down, because different spheres of government affect one another. Different spheres of government should work together to prepare effective and efficient plans that will promote the functionality and institutional integrity of government.<br><br>The national planning institutions and processes, including planning makgotla and the outcomes of such planning enjoys pre-eminence in relation to sub-national structures, activities and products.<br><br>The national strategic plan defines the framework for detailed planning and action across all spheres of government. These strategic priorities should therefore guide and govern the planning and action of all government institutions.<br><br>Monitoring and evaluation is required to oversee the achievement of such strategies and plans. |

## 2.6 Guidelines, Frameworks and Circulars

### 2.6.1 General Performance Indicators for Local Government

| Description | Application |
|---|---|
| In an effort to assist municipalities, the COGTA produced guideline documents for the development of performance management models. The "General Performance Indicators for Local Government" put forward a framework for a set of national KPIs for municipalities, based on international experience and a review of the South African legal and policy context. It defined KPI's as indicators that are essentially pieces of information that reveal conditions, and over time, trends. Indicators can be used to make policy and planning decisions, to identify whether policy goals and targets are being met, and sometimes to predict change. Indicators can also be used to compare conditions of different locales or progress towards policy targets. | The document provides detail on achieving a national set of KPI's through:<br>• Ensuring accountability;<br>• Directing municipalities to focus on national goals and priorities;<br>• Measuring the impact of municipalities on national transformation, development and service delivery programmes;<br>• Enabling benchmarking and create the basis for performance comparison across municipalities; and<br>• Bringing some form of uniformity in the system and ensuring that there is commonality of measures in performance evaluation across municipalities.<br><br>The "Performance Management Guide for Municipalities" introduced guidelines for the development of a customised performance management system that is simple, user-friendly, non-prescriptive and will assist municipalities in developing and implementing a performance management system compliant with legislation and within resource constraints. |

### 2.6.2 Local Government Turnaround Strategy: Working Together, Turning the Tide in Local Government, 2009

| Description | Application |
|---|---|
| Factors such as the quality of decision-making by Councillors, level of financial management and accountability, revenue base and income generation, inappropriate legislation and regulation, economic conditions and weaknesses in national policy, oversight and Inter-Government Relations resulted in Cabinet's approval of the Turnaround Strategy. The twin overarching aim of the Turnaround Strategy is to:<br>• restore the confidence of the majority of our people in municipalities; and<br>• rebuild and improve the basic requirements for a functional, responsive, accountable, effective and efficient developmental local government. | The Turnaround Strategy provides the five strategic objectives listed below to guide the interventions:<br>• Ensure that municipalities meet the basic service needs of communities.<br>• Build clean, effective, efficient, responsive and accountable local government.<br>• Improve performance and professionalism in municipalities.<br>• Improve national and provincial policy, oversight and support.<br>• Strengthen partnerships between local government, communities and civil society.<br><br>Key interventions to implement the Turnaround Strategy include:<br>• National government, including state enterprises, will organise itself better in relation to local government;<br>• Provincial government will improve its support and oversight responsibilities over local government;<br>• Municipalities will reflect on their own performance and develop their own tailor-made turnaround strategies focused on achieving stable Councils with visionary and accountable leadership;<br>• All three spheres of government will improve their Inter-Government Relations;<br>• Political parties will promote and enhance the institutional integrity of municipalities; and<br>• A good citizenship campaign will be designed and launched. |

### 2.6.3 National Treasury: Framework for Managing Programme performance Information, 2007

| Description | Application |
|---|---|
| The framework explains how performance information must be structured to clearly demonstrate how government utilises resources to deliver its mandate. | The planning, budgeting and reporting cycle describes the relationship between these processes and emphasises that the executive is accountable to the relevant elected representative body for the entire process. Full and regular reports are required at each stage of the process.<br><br>At any given time within government, information from multiple years is being considered: plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.<br><br>Within this framework managers must manage for outcomes and to do that, managers need to formulate well-defined strategic goals / strategic objectives, SMART objectives with appropriate indicators. To achieve objectives the work of municipalities is divided into programmes with projects linked to each to ensure that programmes are achieved.<br><br>For each programme and associated project performance indicators is to be developed based on:<br>• The problem to be remedied<br>• Specific outputs, activities and inputs'<br>• Indicators needed to measure every aspect of service delivery and output<br>• Realistic performance targets<br>• Process and format for reporting performance<br>• Processes and mechanisms to facilitate corrective action |

### 2.6.4 Government-Wide Monitoring and Evaluation System, 2004

| Description | Application |
|---|---|
| In 2004, the Cabinet initiated plans for a monitoring and evaluation system for government, and the Presidency subsequently developed the Government-wide Monitoring and Evaluation Framework.<br><br>Although there are various existing systems gathering valuable information within government, there are also a number of gaps in the information needed for planning the delivery of services and for reviewing and analysing the success of policies. | The aim of the Government Wide Monitoring and Evaluation system is to contribute to improved governance and enhance the effectiveness of public sector organisations and institutions. The system objectives are the collection and collation, analysis and dissemination and the application of information on the progress and impact of programmes in order to ensure transparency and accountability, promote service delivery improvement and compliance with statutory and other requirements and a learning culture in the public sector.<br><br>The Government-wide Monitoring and Evaluation System seeks to enhance these systems by describing them and explaining how they relate to each other. The system has three components:<br>• Programme performance information<br>• Social, economic and demographic statistics<br>• Evaluations. |

### 2.6.5 The Local Government MFMA, Related Circulars and Guidelines

### MFMA Circular No 11 of 2005: Annual Report Guidelines

| Description | Application |
|---|---|
| This circular has been developed to provide guidance on the preparation of the annual report and was issued after consultation with COGTA. | It aims to encourage continuous improvement on the standard of reporting by municipalities and to promote accountability to stakeholders.<br><br>In terms of Section 121(3) of the MFMA, the annual report of a municipality or municipal entity must include the following:<br>• Annual financial statements<br>• AG's report on financial statements<br>• Any explanations that may be necessary to clarify issues in connection with the financial statements<br>• An assessment by the accounting officer on any arrears on municipal taxes and service charges<br>• Particulars of any corrective action taken or to be taken in response to issues raised in the audit report<br>• Any information as determined by the Municipality<br>• Any recommendations of the audit committee<br>• Any other information as may be prescribed inclusive of the Annual Report |

### MFMA Circular No 12 of 2005: Definition of 'Vote' in MFMA



Section 1 of the MFMA defines a 'vote' as:

a. one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

b. which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

| Description | Application |
|---|---|
| The purpose of this Circular is to provide guidance on concepts emerging from the MFMA. It specifically relates to clarify the term 'vote' for Municipalities. | The term "vote" is used to divide the budget into segments and the council then approves the budget according to these votes via resolution. The definition requires votes to be at the departmental or functional level. The reason for this is that Municipalities are organised around departments, which in most instances tend to be linked to specific functions. Senior managers often head such departments/functions, which makes it easier for the "vote" of a department to be used to facilitate greater accountability for service delivery and budget implementation over the performance of senior managers, in accordance with their annual performance agreements. |

## MFMA Circular No 13 of 2005: Service Delivery and Budget Implementation Plan

| Description | Application |
|---|---|
| This Circular provides guidance and assistance to municipalities in the preparation of the SDBIP as required by the MFMA. The SDBIP gives effect to the IDP and budget of the municipality. The achievement of the SDBIP will be possible if the IDP and budget are fully aligned with each other, as required by the MFMA. The budget gives effect to the strategic priorities of the municipality but is not a management or implementation plan.<br><br>To ensure that the budget is achieved, the SDBIP serves as a "contract" between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end-of-year targets and the implementation of the budget. | The circular notes the following five components of a proper SDBIP:<br>• Monthly projections of revenue to be collected for each source;<br>• Monthly projections of expenditure (operating and capital) and revenue for each vote<br>• Quarterly projections of service delivery targets and performance indicators for each vote;<br>• Ward information for expenditure and service delivery<br>• Detailed capital works plan broken down by ward over three years.<br><br>The SDBIP is regarded as one of the most important management tools of the municipality, hence the obligation on the accounting officer to submit the SDBIP within 14 days from the approval of the annual budget. |

### MFMA Circular No 32 of 2006: The Oversight Report

| Description | Application |
|---|---|
| This circular focuses on the oversight process that councils must follow when considering the annual report and how to deal with the Oversight Report by encouraging continuous improvement and promoting accountability to stakeholders. | The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on each annual report.<br><br>The oversight report must include a statement whether the council:<br>• Has approved the annual report, with or without reservations;<br>• Has rejected the annual report; or has referred the annual report back for revision of those components that can be revised. |

## MFMA Circular 2011: Annual Report Template and Guide

| Description | Application |
|---|---|
| The aim of the circular is to provide guidance to municipalities and municipal entities as to the use of the Annual Report Template and Guide. Information included in this Template and Guide provides a standardised framework for municipalities and municipal entities to report on the financial and non-financial performance of service delivery. | Every municipality and municipal entity must prepare an annual report for each financial year in accordance to the MSA of 2000.<br><br>The goals of the Annual Report Template and Guide are to:<br>• Standardise reporting so as to ensure that municipalities and municipal entities can submit comparative annual reports;<br>• Align financial and non-financial reporting in the annual report; |

| Description | Application |
|---|---|
| The guidelines can be followed to ensure financial and non-financial alignment that leads to performance-based budgeting, improved in-year reporting and improved IDP and budgetary planning. | • Create a standardised reporting structure to enhance oversight, meaningful evaluation and improved understanding of service delivery output; and<br>• Ensure standardisation of terminology used in annual reports. |

### National Treasury: Guidelines for Legislative Oversight through Annual Reports, 2005

| Description | Application |
|---|---|
| The Guidelines provides for the submission of an annual report on actual performance on how the strategic plan and budget of the municipality were implemented, for legislative oversight. | The Guidelines describe the purpose of the Annual Report as a:<br>• Record of the activities of the municipality during the financial year;<br>• Report on the performance against the budget for that financial year in relation to the outcomes in the IDP and Municipal Entity Service Level Agreement;<br>• Method to promote accountability to the local community for decisions made throughout the financial year; and<br>• Tool to use to reflect on the performance of the municipality, municipal entities and other service providers compared to the performance targets of the previous financial year. |

## 2.6.6 Other Frameworks

#### 2.6.6.1 King IV Report, 2016

| Description | Application |
|---|---|
| The King IV Report was presented by the King Committee on Governance in 2016, effective 2017. King IV applies to all entities, including municipalities regarding the manner and form of incorporation or establishment.<br><br>Governing bodies are represented by municipal councils in local government. | Summary principles contained in the codes include:<br><br>King IV builds on King III. It has been revised to bring it up to date with international governance codes and best practice; to align it to shifts in the approach to capitalism (towards inclusive, integrated thinking across the six capitals) and to take account of specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures (e.g. Social and Ethics Committee), emerging risks and opportunities from new technologies and new reporting and disclosure requirements e.g. Integrated Reporting. |

#### 2.6.6.2 AG Reporting Guide, 2009

| Description | Application |
|---|---|
| The AG publicised a reporting guide to assist municipalities in determining – prior to the audit by the AG – which activities and actions to focus upon to ensure the achievement of an unqualified audit report. This unqualified audit report can be perceived as a 'clean option' or a report issued by the AG when the performance information and financial statements presented are free of material misstatements and in the case of the latter are in accordance with GRAP (Generally Recognised Accounting Practices). | This report is used as a template to provide detail to municipalities on the following:<br>• Issues for consideration such as public interest<br>• Accountability<br>• Probity<br>• Effective legislative oversight<br>• Performance against pre-determined objectives<br>• Economic efficient and effective procurement of resources. |

#### 2.6.6.3 Guide to Outcomes Approach, 2010

| Description | Application |
|---|---|
| The Outcomes Approach implies a shift of accountability away from individual level to organisational level, it also refers to different level contributions according to a systematic approach. The key question that needs to be interrogated is: How such an alignment and ultimate achievement of accountability may be created? | The documents suggest the creation of an interrelationship between strategic outcomes identified by Government, Implementation forums, Delivery Agreements, implementation, monitoring reporting and evaluation.<br><br>The role of Implementation Forums is to coordinate Government's work towards the achievement of the key outcomes. Each outcome is to be managed by an Implementation Forum comprising of an Executive Implementation Forum and a supporting Technical Administrative Forum. The main tasks of the Implementation Forum are to negotiate a Delivery Agreement and coordinate the implementation of the Agreement across spheres and structures of Government.<br><br>Delivery Agreements are collective agreements that, in most cases, involve all spheres of Government and a range of partners outside Government. Producing Delivery Agreements requires a structured and systematic approach. |

## 2.7 Conclusion

There are various legislative and regulatory instruments that have been put in place to govern, guide and direct the development and implementation of performance management systems in local government. These instruments range from Acts of Government, regulations, guidelines, circulars, practice notes, frameworks, papers and policies.

The collective requires political office bearers, municipal management as well as municipal junior managers and officials to note the requirements and implement the various requirements with their respective roles and responsibilities.

This concludes the section on legislation, policy documents, guidelines, frameworks and reports impacting on the performance management system and the application thereof within municipalities.

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# Unit 3: Performance Management Cycle in Local Government

## Learning Outcomes

On completion of this unit, you will be able to:

- Explain the performance management cycle.
- Articulate the role and responsibilities of the role players in municipal performance management.

## Key Concepts

Planning, evaluation, monitoring, reporting, Performance auditing, audit of performance information, regulatory audits.

## 3.1 Introduction

Based on the definitions provided, performance management can be seen as the management approach that provides strategic direction to manage the performance of an organisation. It is multidimensional; measuring a variety of factors that impact on the effective and efficient performance of a municipality. Performance management therefore relates to the economy, effectiveness and efficiency relationship between inputs, outputs and outcomes.

The aim of this section is to introduce you to the performance management processes. These processes are derived from the performance management methodology as guided by the following extract from the Performance Management Guidelines for Municipalities (2001):



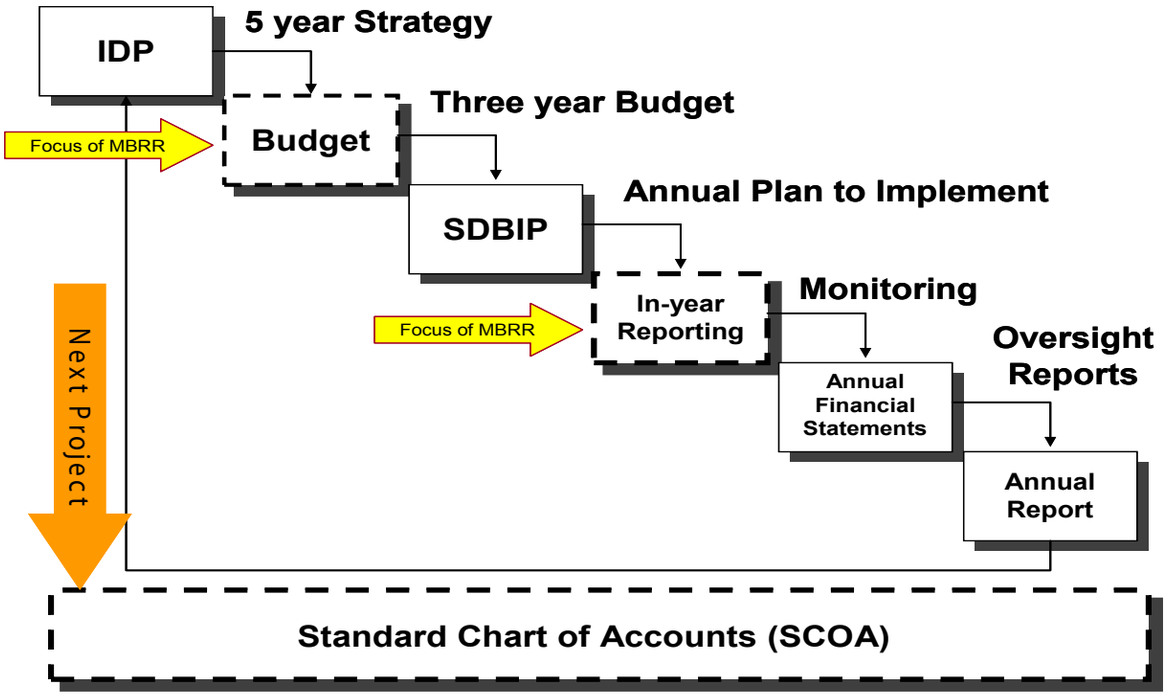

The performance management strategy should be linked to the IDP implementation framework and should entail planning, implementation, monitoring and review. Measurement and reporting should also be included.




As already indicated, based on the methodology followed for performance management within municipalities in South Africa, four distinct processes can be followed in each annual municipal cycle, namely planning/review, monitoring, reporting and evaluation.

Performance management processes, linked to performance management system and tools, can be displayed as follows:

*Figure 4 Performance Management Process*




Whilst planning/review phase deals with planning for the *future* through the strategic and development objectives, indicators and projects, monitoring, reporting and evaluation deal with the *history* to determine how well the organisation has performed.

## 3.2 Planning and Review

Planning and review essentially consist of a number of activities that a municipality must take at different times of the municipal financial year inclusive of the development and review of the IDP, budget, SDBIP and employee performance plans.

According to Sections 16 and 17 of the MSA (2000), municipalities are obliged to involve its public in its operations. The municipality must encourage and create conditions for the community to participate in the preparation, implementation of the municipal performance management system.




The community must, for example become involved in the development of the IDP and after tabling the annual budget, the Municipal Council and the Accounting Officer must make public the annual budget and invite the local community to respond.

Involving the community in the affairs of the municipality places an enormous responsibility on the municipality to ensure that community needs and requirements are taken into consideration when developing and implementing the IDP, budget and SDBIP.

An IDP as part of planning will indicate how a municipality will spend its money for the next five years. It sets out the budget priorities of the municipality and is supported by the MTREF budget. An effective IDP will help speed up delivery and attract additional funds. It will ensure public confidence as it is a combined effort between municipality and community. If the municipality therefore produces results, the public becomes more confident in their capability and will thus be more responsive to municipal requests.

The IDP should outline the structures that will manage the planning process, how the public as well as relevant role players will be engaged with, time schedules for planning, roles and responsibilities and monitoring to be taken place to ensure the achievement of IDP priorities. It must also reflect the vision of the municipal council, strategies, objectives, prioritised programmes and projects and Key Performance Indicators.

According to Circular 13 (2005), the SDBIP is essentially the management and implementation tool which sets in-year information, such as quarterly service delivery and monthly budget targets, and links each service delivery output to the budget of the municipality, thus providing credible management information and a detailed plan for how the municipality will provide such services and the inputs and financial resources to be used. The SDBIP indicates the responsibilities and outputs for each of the senior managers in the top management team, the inputs to be used, and the time deadlines for each output.

Whilst the SDBIP is largely a one-year detailed plan, it should include a three-year capital plan as per the MTREF aligned to the IDP. Municipalities are encouraged to also include three-year (by quarter) service delivery targets, to the extent where this is possible and feasible. The SDBIP should provide all expenditure information (for capital projects and services) per strategic objectives, so that each output can be broken down per programme and project, where this is possible. The SDBIP is a layered plan with the top layer of the plan dealing with consolidated service delivery targets and in-year deadlines linked to the IDP.

Included in the planning phase is the signing of performance agreements between the employee and employer linked to the IDP and SDBIP objectives, outcomes and targets. The performance contract should include information on the job purpose and main accountabilities, details of duties, benefits and other terms and conditions of employment. Performance agreements are to be used as the basis for assessing whether relevant managers have met the performance expectations applicable to his/her job. The Performance Plan should therefore include detail on monitoring and measurement requirements against set targeted outputs as renewed annually.

A mid-year review adjustment phase is required to adjust the budget and SDBIP which will lead to adjustments to individual performance plans. All these components form one process to ensure that the actual performance is reported against what was planned in the IDP.

## 3.3 Monitoring

Performance monitoring requires the implementation of performance measures, incorporating the process of analysing the data provided by the monitoring system in order to assess performance.

Monitoring is the key to any successful performance management system as it provides information that can be compared to initial targets to determine the current performance state. Performance monitoring is a continuous process that runs parallel with the implementation of the approved IDP and SDBIP.

Support structures for monitoring include data management, assessment and validation of information. The monitoring system must be set up in such a way that the information is used pro-actively to guide the municipality to manage and plan for the provision of services to communities. A data collection plan should be set-up to ensure that clear, timely and accurate information is obtained. The importance of an effective monitoring system is evident in the saying:




You cannot manage what you do not measure.

For monitoring and assessment purposes COGTA has depicted a five-point scale where three (3) indicates that target has been met. Scoring allows for quick and easy assessment of performance, especially where different scores are colour-coded or accompanied by icons of “smiley-faces” to indicate validation on the performance provided. This type of assessment acts as early warning system of under-performance.

As with organisational performance monitoring, employee performance monitoring and assessment is also required to ensure a high level of standard of activities achieved by an employee. The monitoring of employees, irrespective of level and statue should be conducted at least on a quarterly basis using an employee assessment tool to review achievements. Section 56 managers must be formally assessed bi-annually. Without monitoring, the municipality will

not be able to identify possible problem areas and will not be able to take corrective measures to solve these. The municipality will not be able to enhance the lives of their communities as decision making will be hindered. Ultimately the municipality will fail in its attempt to ensure a better live for the community which the municipality serves.

## 3.4 Reporting

Performance reporting should answer the question: What do I need to know to make sure things get better? Reporting is imperative to ensure accountability. In order to ensure such accountability, performance reporting collates information into intelligence.



Performance reporting is a data-driven, consistent, and real-time framework for defining and achieving strategic objectives.

By tracking departmental and overall performance against established aligned objectives, municipalities can improve service levels, and identify and reverse undesirable trends.

Key decision-makers need to ensure that they are receiving the right information and that they have the required skills to understand and make use of it. Importantly, those who receive reports need to ask questions about the information they receive. Questions about performance need to be robust and answers need to be honest. The atmosphere should be supportive, with an emphasis on looking for solutions rather than apportioning blame.



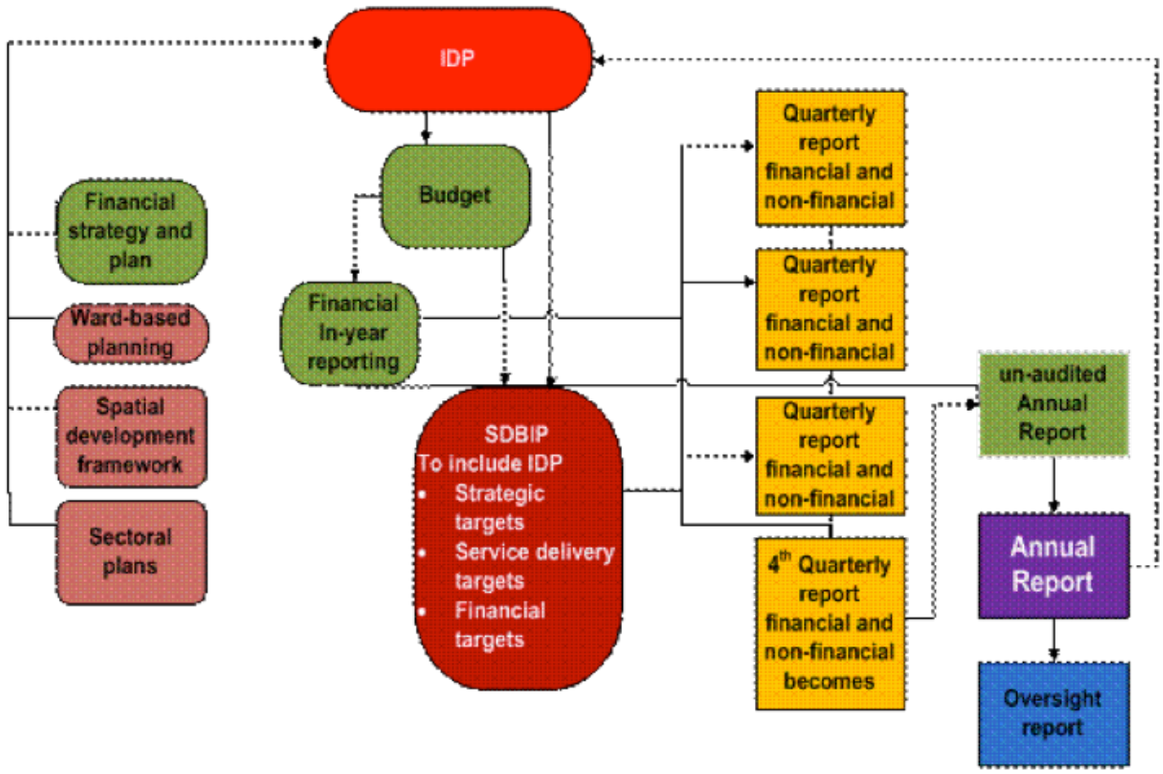
This productive atmosphere depends less on measurement and more on people and culture.

It is imperative that management and practitioners work towards development of a culture of honesty, cooperation and support.

The need and necessity for continuous reporting on municipal performance is required by Section 41(1) (c), of the MSA (2000). This legislation states that a municipality must, in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed, establish a system of regular reporting to council, other political structures, political office bearers and staff of the municipality, and the public and other organs of state. This requires the compilation of various performance reports throughout a municipal financial year.

The reporting cycle can be diagrammatically displayed as follows:

***Figure 5 SA Local Government Accountability Reporting Cycle***




The reporting process flow identified in the diagram above provides a framework for municipalities to follow in completing various reports within each financial year. If the process flow is followed, municipalities should be able to provide an unaudited annual report in August of each year.



**Monthly financial** and **quarterly performance reports** accumulate performance of progress made towards the achievement of key performance indicators based on SDBIP objectives. The mid-year and fourth quarter report should go to Council. The fourth quarterly report is to become the unaudited annual performance report and must also reflect performance against the IDP three year targets. Therefore the fourth quarter performance report shall be used to populate the annual report with respect to the achievements measured against pre-determined objectives.



The **mid-year report** (second quarter report) informs the mayoral committee and Council of the progress made with regards to the implementation of the SDBIP during the first half of a financial year. Information included in the mid-year report feed the adjustment of both the budget and the SDBIP. Adjustments are done based on financial shortcomings due to less than projected income or other impacts. Accumulative information should be reported against the IDP – mid-year performance against the annual targets.



An **unaudited annual report** is compiled from the fourth quarter or annual performance report that includes all information required within an annual report. However, this report has not yet been submitted to the AG for review and is therefore still unaudited. One advantage of compiling an unaudited annual report in August is that it can be used to influence the strategic objectives indicated in the IDP for the next financial year as well as budgetary requirements related to each.



The **annual report** must be prepared annually for each financial year and should include information on the financial and non-financial performance of the municipality and reasons for under performance. Real transparency and accountability can only be achieved where there is a link between agreed with the community, the strategic objectives IDP, budget, SDBIP and employee performance agreements, in-year reports, annual financial statements and the annual report.

The annual report should include information pertaining to:

- The performance of the municipality and of each external service provider during that financial year;
- A comparison with targets set for and performances in the previous financial year; and
- Measures taken to improve performance.



The **mayoral term report** represents how the mayor is progressing against the political mandate of what must be achieved over an election period – included in the IDP. In essence it means that targets will be measured accumulatively over a five year time period. The Mayoral Mid-Term Report is to be compiled half-way through the five year mayoral political term. The aim of this report is to review the objectives that the mayor has set at the beginning of the term. It also provides the mayor with the opportunity to review the objectives and realign them according to national and provincial intent.



Council must consider the annual report of the municipality and by no later than two months from the date on which the annual report was tabled in the council and adopt an **Oversight Report** containing the council's comments on the annual report, which must include a statement whether the Council has:

- Approved the annual report with or without reservations;
- Rejected the annual report; or
- Has referred the annual report back for revision of those components that can be resolved.

## 3.5 Evaluation

Evaluation involves assessing the strengths and weaknesses of strategic objectives, programmes, KPIs and projects to improve effectiveness and service delivery.

Since there is no single, "best" approach to evaluation which can be used in all situations, it is important to decide on the purpose of the evaluation, the questions you want to answer, and the methods to be used to obtain valid information.




Evaluation should never be seen as a stand-alone process but rather as a part of an integrated tool to determine whether a municipality is functioning effectively, efficiently and economically.

Evaluation of an organisations performance is essential to ensure that corrective measures are identified and put in place to improve areas of non-performance. In other words, the intention of evaluation is to critically evaluate past actions, build on areas of value, eliminate non value adding processes, and use the information gained to make informed decisions to realign organisational objectives and actions. Without continuous evaluation there can be no improvement and development.

Various evaluations are to take place within a municipality to determine the scope and impact of service provision. From a political, administrative and auditing side both formative and summative evaluations should be conducted to determine the effective, efficient and economic performance of a municipality. Impact studies can be undertaken to determine the impact of service delivery on the improvement of lives of municipal communities.

## 3.6 Auditing of performance

Municipalities increasingly face difficult choices in deciding how to use their resources to fulfil the mandate that is expected of them. One way to improve their ability to maximise their resources is to ensure that they are used economically, efficiently and effectively.

This is done by continually questioning the way that they operate, analysing financial information to indicate areas which are absorbing significant resources but not rendering an adequate return and benchmarking themselves against other municipalities, amongst others. However, it is sometimes difficult for management to identify areas of low performance because of their day to day involvement in the activities and operations of a municipality.



Management tend to only focus on stewardship of the municipality's resources because of the historical importance placed on regulatory audits.

Management must be concerned with the efficiency and value of money issues regarding municipal resources as well.

Whilst regulatory audits will remain a key function and legislative focus of the AG, there is an increased need to focus on the auditing of performance. This is done in two ways;

- the annual auditing of performance information, which is included in the annual report, and
- performance auditing.

By increasing the focus on performance auditing in particular, external audit is better placed to assess the extent to which management are continuously addressing the use of resources in an economic, efficient and effective manner.

Not only will management be accountable for the stewardship of the municipality's financial resources, but where there is an increased focus on performance auditing, there will be an increased focus on assessing the extent to which management addresses the overall performance of their municipality.

In practice, performance auditing requires significant audit personnel and typically only focuses on one transversal area. All areas of performance cannot be assessed on an annual basis due to a lack of capacity of the AG. It is unlikely that the frequency of performance auditing will be sufficient to ensure that there is sufficient focus on management's assessment of performance.

It is therefore important that management use its internal audit function to conduct performance audits to the extent possible, subject to the capacity of the internal audit to undertake this task.

## 3.7 The Role of Community Involvement in Developing a Performance Management System

Ward committees are, in most instances, the primary method of ensuring local community participation in the working of the municipality. There is a legal requirement for the municipality to include local communities, through the ward committees, in setting KPIs and performance targets and to ensure community involvement in monitoring and reviewing these. When determining the key performance areas of a municipality there may be competing interests from the various municipalities depending on the issues that they consider to be most important. The performance management system should incorporate as many of these interests as are viable and sustainable.

Some of the key areas where ward committees play a role in performance management are during the planning, monitoring and review stages.



Councillors are obligated to report to the ward committees on their performance reviews and have to consider the input made by the ward committees on these. This process ensures accountability and promotes consensus between the community and the council. By involving the community in performance management, councillors are recognising that their performance management systems will be seen as credible by the community it purports to serve.

To achieve this community involvement and if there is no other appropriate municipal structure for community participation, the municipality must establish a forum for community participation. The municipality must invite the local community to identify people to serve on the forum. These may include representatives from the ward committees. The people that are part of the forum must be representative of the composition of the municipality.



Councillors may be called upon to establish this consultative community forum during the establishment and implementation of the PMS.

However it may not necessary to establish this forum, even though it is provided for in the law. The performance review process will often be part of the IDP review process, the budget review process, the service delivery implementation plan monitoring and the annual report of the municipality. It is important that duplicate processes are not established and that resources and time is not wasted setting up another forum when existing structures can meet the required objective. Councillors should ensure that they find the most effective way to monitor and review performance management based on existing processes and structures that they have in the municipality.

### 3.7.1 Community participation through Ward Committees

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Section 42 of the MSA (2000) explicitly requires community involvement in the setting of KPI's and performance targets for the municipality.<br>• Ward committees are, for example used as a way of providing opportunities for communities to be heard at the local government level in a structured and institutionalised way.<br>• Final approval of any performance management system depends on the participatory process | • The completion of any planning cycle takes place when feedback regarding the successes and failures is received.<br>• Report-back sessions are needed to ensure the community that the municipality is on track.<br>• Monitoring is required to ensure that the above process is achieved | | |

### 3.7.2 Community Participation through IDP Forums

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Established to encourage the participation of communities and other stakeholders.<br>• Municipality public participation strategy must ensure that the Forum is involved in the development of the IDP, Performance Management and Budget processes to ensure that the community is represented.<br>• IDP Forum provides a structure for discussion, negotiations and joint decision-making<br>• IDP Forums further ensure proper communication between all stakeholders and the municipality | • Monitor the planning and implementation process<br>• Monitor the implementation of the IDP<br>• Monitor the municipality's performance in relation to the KPIs and performance targets set by the municipality<br>• Create compliance and a sense of ownership on the side of the community | | |

## 3.8 Procedures and Steps to Develop and Adopt a Performance Management System at a Municipality

Now that you have worked through the legislation governing the performance management system of municipalities, and are aware of the roles and responsibilities of key role players in the performance management system, the next step is to determine how a performance management system is to be established.

Detailed below are the steps to develop and adopt a PM System for the municipality:

| Phase 1: Preparation and Organising | |
|---|---|
| **Step 1:** Delegation of Responsibilities | • Council to adopt the performance management system<br>• Executive mayor responsible for the development of the system<br>• Executive mayor may assign responsibilities to the municipal manager |
| **Step 2:** Setting up Institutional Arrangements | Establish a project team responsible for:<br>• preparing the municipality<br>• facilitating the development of the system<br>• supporting the municipality and role players during implementation |
| **Step 3:** Managing the Process | • Prepare organisation for change<br>• Reach a common understanding that performance management is crucial<br>• Ensure that the process of developing the system is:<br>  • inclusive<br>  • participatory<br>  • transparent<br>• Ensure that the performance management system is:<br>  • simple<br>  • realistic<br>  • fair and objective<br>  • developmental<br>  • non-punitive |

| Phase 2: Development of Performance Management System | |
|---|---|
| **Step 1:** Check Current Reality | • Assess how planning, implementation and monitoring of the municipality's programmes take place<br>• Identify the gaps in terms of new integrated planning and performance management requirements |
| **Step 2:** Identify Stakeholders | • Typical stakeholders are:<br>  • Citizens and communities<br>  • Organised business<br>  • Labour<br>  • Government departments<br>  • Officials<br>  • Partners |
| **Step 3:** Creating Structures for Stakeholder Participation | • IDP Forums<br>• Ward Committees |
| **Step 4:** Developing the System | • The project team needs to develop and propose a performance management system<br>• Proposed system must conform with all the legislative requirements |
| **Step 5:** Publication of the System | • Publish in local media for comment<br>• Make use of local radio stations<br>• Utilise ward committees |
| **Step 6:** Adoption of the System | • Council to adopt the system when it is satisfied that the process was handled in accordance with relevant legislation |
| **Phase 3: Implementing Performance Management System** | |
| **Step 1:** Planning | • The IDP process and the performance management process should appear to be seamlessly integrated. |
| **Step 2:** Priority Setting | • The priorities are essentially the issues that a municipality pronounces to focus on in order of importance to address the needs. These will vary from one are to the other. They may include water delivery, electrification, sanitation and so forth. |
| **Step 3:** Setting Objectives | • Carefully consider the results desired<br>• Review the precise wording and intention of the objective<br>• Avoid overly broad result statements<br>• Be clear about the scope and nature of change desired<br>• Ensure that objectives are outcome and impact focused |
| **Step 4:** Setting Key Performance Indicators (KPIs) | • Value of indicators<br>• Types of indicators<br>• How to identify indicators<br>• Incorporating indicators<br>• KPI's must comply with the SMART principle |

| | |
|---|---|
| **Step 5:** Setting targets | • Identify baseline measurements<br>• Important to know what current performance is chosen indicators must be measurable<br>• Public needs to be consulted on their needs and expectations in setting targets |
| **Step 6:** Develop monitoring framework | • Framework must;<br>  • identify the roles of the different role -players in monitoring and measuring the municipality's performance; and<br>  • allocate specific tasks to the gathering of data and submission of reports |
| **Step 7:** Developing a measuring framework | • Measurement is essentially the process of analysing the data provided by the monitoring system in order to assess performance<br>• Various models can be adopted |
| **Step 8:** Analysis of measurement | • Interpretation of the measurements to determine whether targets have been met and exceeded and projections on whether future targets will be met<br>• Corrective action where targets not met |
| **Step 9:** Performance review | • Performance review is a process where the organisation, after measuring its own performance, assesses whether it is doing the right thing, doing it right and better, or not |
| **Step 10:** Reporting on performance | • Reporting required in terms of MFMA<br>• Reports to be published |

## 3.9 Roles and Responsibilities of the Role Players in Municipal Performance Management

The main role-players in performance management are the same as in the IDP process. Section 39 of the MSA, 2000 states that the executive mayor, executive committee, or a special committee of councillors (in a 'plenary type' municipality) must manage the development of the PMS and submit it to council. Responsibilities, in this regard, must be assigned to the municipal manager. The PMS must clearly state the functions and responsibilities of each of the role-players. Based on the prescripts and requirements of the legislative framework, the roles and responsibilities of all the stakeholders for performance management within a municipality is summarised below.

### 3.9.1 Municipal Council

Municipal Council roles and responsibilities in terms of the performance management phases include the following:

| Planning/Review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Create collective priorities and objectives with the locals (in case of a District Municipality) in terms of coordinating the IDP<br>• Adopt the municipality's strategic and programme objectives that are priorities of the IDP with five year targets | • Approve the process plan and the annual review programme of the IDP<br>• Notes the SDBIP based on the MFMA<br>• Notes amendments to the SDBIP and the Adjustments Budget | • Report the municipality's performance to the community at least once a year<br>• Approve recommendations for the improvement of the performance | • Approve the municipal annual audit plan and any substantial changes to it<br>• May receive performance reports directly from the Audit Committee |

| Planning/Review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Work within the delegated powers of assigning the responsibility for the management of the PM System to the Executive Mayor<br>• Establish an oversight committee for the purposes of the annual report | • Approves any amendments to the priorities, objectives, key performance indicators and performance targets of the municipality as contained in the IDP<br>• Consider the oversight report and recommendations from the oversight committee prior the strategic phase of the IDP | • Annually receive the appraisal of the Municipal Manager and Directors' performance<br>• Submit the municipality's annual performance report to the AG | • Approves implementation of the recommendations of the Performance Audit Committee with regards to both improvement of the performance of the municipality or the improvement of the performance management system itself<br>• Receive the performance audit report from the AG and approve the implementation of its amendments and recommendations |

### 3.9.2 Executive Mayor

Executive Mayor' roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Submit priorities and objectives of the IDP to Council for approval<br>• Submits the PM System Framework to Council for approval<br>• Submits the municipal strategic and institutional scorecard to Council for approval – that is now included in the IDP<br>• Approve the SDBIP<br>• Enter into a performance agreement with the Municipal Manager on behalf of Council<br>• Assign the responsibility for the management of the Performance Management System (PM System) to the Municipal Manager | • Propose the annual performance improvement measures of the municipality as part of the new municipal strategic and organisational scorecard<br>• Propose changes to the priorities, objectives, key performance indicators and performance targets of the municipality<br>• Quarterly review the performance of Departments to improve the economy, efficiency and effectiveness of the municipality | • Receive the monthly budget statement<br>• Receive quarterly performance reports from the internal auditor<br>• Receive performance reports from the Audit Committee twice a year<br>• Receive bi-annual reports on the performance of the Directors and staff from the Municipal Manager<br>• Report to Council on the mid-term review and the annual report on the performance of the municipality<br>• Report to Council on the recommendations for the improvement of the PM System | • Submit the annual audit plan and any substantial changes to Council for approval<br>• Approve the implementation of the recommendations of the internal auditor with regards to both the improvement in the performance of the municipality and the improvement of the performance management system itself. Receive performance audit report(s) from the AG and make recommendations to Council on it<br>• Quarterly evaluate the performance of the municipality against adopted KPIs and targets |

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Tables the MTREF to Council for approval<br>• Recommend to Council the annual review programme of the IDP, including the review of the key performance indicators and performance targets | | | • Evaluate the performance of the Municipal Manager |

### 3.9.3 Municipal Manager

Municipal Manager's roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Coordinate the process of needs identification and prioritisation among all stakeholders<br>• Coordinate the formulation and revision of the PM System Framework<br>• Coordinate the formulation and revision of the strategic and organisational scorecard<br>• Enter into a performance agreement with Managers accountable to the Municipal Manager on behalf of Council<br>• Formulate the annual review programme of the IDP, including the review of KPIs and performance targets for consideration by the Council Committees and the Executive Mayor<br>• Formulate the annual performance improvement measures of the municipality as part of the municipal scorecard (strategic and organisational) | • Quarterly monitor the performance of the Departments through the SDBIP to improve the economy, efficiency and effectiveness of the municipality<br>• Quarterly and annually monitor the performance of the Section 56 managers | • Receive performance reports quarterly from the internal auditor<br>• Receive performance reports twice a year from the Performance Audit Committee<br>• Receive monthly / quarterly departmental performance reports<br>• Report once bi-monthly to the council cluster / portfolio committees and the Executive Mayor on the performance of the departments<br>• Annually report on the performance of Directors<br>• Submit the municipal annual performance report to the Executive Mayor | • Develop municipal annual audit plan<br>• Respond to the recommendations of the internal auditor and the Audit Committee.<br>• Formulate a response on performance audit reports of the AG and make recommendations to the Executive Mayor |

### 3.9.4 Council Committees

Council Committees' roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Advise the Executive Mayor on priorities and objectives of the IDP | • Participate in the formulation of the annual review programme of the IDP, including the review of the KPIs and performance targets | • Report to the Executive Mayor on the recommendations for the improvement of the PM System<br>• Council adopts the oversight report | • Advise the Executive Mayor on the implementation of the recommendations of the internal auditor and oversight report<br>• Evaluate municipal achievements |

### 3.9.5 Strategic Executives and Chief Financial Officers

Strategic Executives and Chief Financial Officers' roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Participate in the formulation of the IDP strategic and organisational review<br>• Align the IDP to the Top Level SDBIP<br>• Enters into a performance agreement with the Municipal Manager<br>• Manage subordinates' performance measurement and management system | • Manage the implementation of the Departmental SDBIP<br>• Ensure that performance objectives in the performance agreement are achieved | • Quarterly report and evaluate and the performance of the department to improve the economy, efficiency and effectiveness of the department<br>• Review annually the performance of the department | • Participate in the formulation of the response to the recommendations of the internal auditor, Audit Committee and the AG |

**Activity 2a**

| | |
|---|---|
|  | Group Activity<br>3 – 5 members |
| Time Allocation | 15 minutes |
| Activity Requirements | Discuss the roles and responsibilities of the various role players with respect to the development and implementation of a performance management system of a municipality.<br>• Councilors<br>• Municipal Management |

### 3.9.6 Middle Level Management and Municipal Staff Members

Middle level management and municipal staff members' roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Participate in the development of the lower SDBIP | • Execute individual work plan<br>• Participate in the review of departmental plans<br>• Participate in the review of own performance | • Report on the lower SDBIP<br>• Report to line manager | • Self-assessment of progess regarding implementation of programmes and projects |

### 3.9.7 Performance Management Unit

The performance management unit's roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Ensure alignment between organisational and employee performance management<br>• Advises on scope and framework of performance management and guide activities such as employee reviews/evaluations, training, mentoring and coaching to enhance municipal understanding of the performance management phases. | • Advise on daily issues pertaining to performance management and the achievement of outcomes, outputs and performance indicators<br>• Monitor the functioning of the PMS | • Report on the performance of the municipality and identify areas where improvement may be required.<br>• Report on the functioning of the PMS | • Test the integrity of reports and documents in preparation for audits |

More roles and responsibilities are covered in Unit 6: Institutional Arrangements

### 3.9.8 Performance Management Practitioners

The performance management practitioners' roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Ensure alignment between organisational and employee performance management<br>• Advises on scope and framework of performance management and guide activities such as employee reviews/evaluations, training, mentoring and coaching to enhance municipal understanding of the performance management phases. | • Advise on daily issues pertaining to performance management and the achievement of outcomes, outputs and performance indicators. | • Report on progress regarding the implementation of and compliance to the PMS framework of a municipality<br>• Report irregularities noted to senior management with respect to the implementation of the PMS. | Submit relevant reports to management and assurance bodies regarding the PMS and performance management. |

More roles and responsibilities are covered in Unit 6: Institutional Arrangements

### 3.9.9 Performance Management Champions

The performance management champions' roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Coordinate the performance planning process by ensuring that institutional and individual PMS is aligned<br>• Advise management and officials on the functioning of the PMS<br>• Cascade relevant information to inform the effective planning by individuals, teams, units and the municipality as a whole. | • Advise on daily issues pertaining to performance management and the achievement of outcomes, outputs and performance indicators<br>• Monitor the functioning of the PMS<br>• Relay PMS related challenges to Performance Management unit. | • Report on progress regarding the implementation of and compliance to the PMS framework of a municipality<br>• Report irregularities noted from the respective teams regarding the development and implementation of the PMS. | • Advise on the submission of relevant reports to management and assurance bodies regarding the PMS and performance management. |

### 3.9.10 Internal Audit

The Internal Audit's roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Develop a risk and compliance-based audit plan | • Measure the performance of departments according to KPIs and performance targets<br>• Review / assess / test if the PMS complies with the applicable legislation<br>• Audit the performance measures in the municipal scorecard and departmental scorecards<br>• Conduct compliance audits<br>• Review the risk profile | • Report quarterly on the performance of the municipality to the Municipal Manager<br>• Report in terms of targets achieved<br>• Submit quarterly audit reports to the Performance Audit Committee<br>• Submit bi-annual performance reports to the AG | • Measure the performance of departments according to KPIs and performance targets<br>• Audit the performance measures in the municipal scorecard and departmental scorecards<br>• Conduct compliance audits<br>• Conduct performance audit as per may mandated by Council |

### 3.9.11 Audit Committee

The Audit Committee's roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| • Receive and approve the annual audit plan | • Quarterly review the quarterly reports from the internal audit committee | • Report to Council on performance management issues | • Quarterly report to Council |

### 3.9.12 Auditor General (AG)

The AG's roles and responsibilities include:

| Planning/review | Monitoring | Reporting | Evaluation |
|---|---|---|---|
| | | | • Auditing performance information of municipalities. The auditing process is part of the evaluation of the performance of a municipality. |

| Activity 2b | |
|---|---|
|  | Group Activity<br>3 – 5 members |
| Time Allocation | 15 minutes |
| Activity Requirements | Discuss the roles and responsibilities of the various role players with respect to the development and implementation of a performance management system of a municipality.<br>• Municipal Officials<br>• Performance Management Unit<br>• Your function |

## 3.10 Conclusion

When developing and adopting a PMS, the municipality must prepare and organise itself first by delegating responsibilities, setting up institutional arrangements as well as managing the process. Following the same, the municipality must develop a PMS by check current reality, identify stakeholders, creating structures for stakeholder participation, developing the system, publicising the system and finally adopting of the system. With respect to implementing the PMS, the process requires planning, setting priorities, setting objectives, setting KPIs, setting targets, develop a monitoring framework, developing a measuring framework, analysis of measurement, performance review as well as reporting on performance.

There are various role players in planning, monitoring, reporting and evaluation of a PMS who include Council, Mayors, Municipal Manager, senior managers, performance management practitioners, middle level managers and other officials, audit committees, auditors (internal and external) and these role players have various roles and responsibilities across the key PMS activities such as planning, monitoring, reporting and evaluation.



It is vital for all key role players to understand their roles and responsibilities and execute their required functions to see a fully functional, efficient and effective PMS in a municipality.

# Unit 4: Performance Management Planning in Local Government

## Learning Outcomes

On completion of this unit, you will be able to:

- Apply individual financial and non-financial performance management concepts within a municipal performance management system.
- Develop and apply institutional financial and non-financial performance management concepts applicable within a municipal performance management system.
- Differentiate between outputs and outcomes within a municipal performance management system.
- Identify and apply appropriate measures of effectiveness, efficiency and economy in a municipal performance management system.

## Key concepts

Outcomes, output, gap analysis, SWOT analysis, vision, mission, goals, objectives, environmental and spatial analysis, targets, baseline, performance indicators (input, output, outcome and impact), economy, efficiency, effectiveness, equity.

## 4.1 Introduction




As was explained previously, performance management is a process aimed at integrating organisational and employee performance. It is a process that stretches right through the organisation, from its vision and mission statements, to its objectives and eventually the staff. It applies to the performance of an organisation as well as to all persons related to it.

Municipalities are required to establish a performance management system that is commensurate with its resources, is best suited to its circumstances and is in line with the targets, priorities and objectives contained in its IDP. This should translate to the SDBIP of the municipality and should cascade down to employee performance so as to ensure that outputs and activities are conducted that will secure the achievement of strategies identified in the IDP.

In order for the alignment to be effective, a number of actions must cascade from the IDP and budget to the SDBIP and from there to employee performance plans. Simply stated, this includes the setting of outcomes and objectives, outputs to be executed to ensure that outcomes are achieved with indicators measuring the attainment of targeted activities.

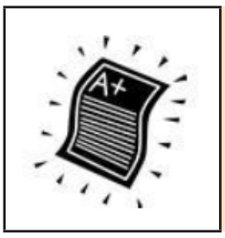
In light of the above, the aim of this Unit is to focus particularly on performance management concepts relating to planning required for a municipal performance management system, the application of financial and non-financial performance management concepts and the identification of the relationship between outputs and outcomes within a performance measurement system.

In order to achieve the outcomes of this Unit, you will be briefly introduced to the methodologies that impact on performance management, how the IDP, budget and SDBIP relate to performance management and ultimately how targets, indicators and measurement can be used to ensure the achievement of outputs and outcomes. However, before focusing on the above, a brief introduction is provided on the Outcomes Approach as the model to be used to guide municipal performance management.

## 4.2 The outcomes approach as the model for creating a PMS

The aim of the Outcomes Approach (2010) is to set strategic requirements on how national outcomes can optimally be achieved. The Approach sets off from the viewpoint that outcomes set by national government can only be achieved if all spheres of government work together in ensuring the achievement thereof. This means that plans compiled to achieve

the outcomes should be cascaded down and be incorporated into plans of all other government spheres. The Outcomes-Approach implies a shift of accountability away from individual level to organisational level; it also refers to different level contributions according to a systematic approach.



Refer to the example below. However, please bear in mind that the departmental indicator will be dependent on the level of service standard provided.

| IDP / Strategic Level | | | | IDP / Organizational Level | |
|---|---|---|---|---|---|
| **Outcome 9** | **Strategic Objective** | **Strategic Indicator** | | **Programme Objective** | **Organisational Indicator** |
| A responsive, accountable, effective and efficient local government system | Access to basic (or higher) water services | % of households with access to basic level of water (NKPI) | | Provision of potable Water to the communities | % of households provided with a basic level of potable water to eradicate backlog |

The new Outcomes Approach provides guidelines as to how performance within government structures should be applied. Applicable to the municipal framework, the Outcomes Approach focuses on promoting planning, monitoring, reporting and evaluation of municipal achievement of outcomes, in relation to national outcomes. A municipality must adopt a performance management approach to integrate the IDP, MTREF, budget and SDBIP processes aimed at creating improved service delivery, enhance accountability and effective use of financial resources.

This requires the establishment of a performance management system that is able to measure performance. Performance measurement provides the necessary information and business intelligence that can meaningfully feed into improved collaboration between different spheres of government to promote decision-making and improved service delivery. Measure requires desired results identified by producing outputs and accomplishments; the purpose of which is to measure quality as well as outcome and impact.

Aligned to the Outcomes Approach, an outcomes-based performance management model is required to ensure the successful implementation of the performance of the organisation.



The term outcome refers to the medium to long-term, measure of success or strategic effectiveness.



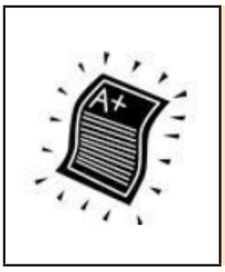

Four important components underpin the outcomes approach, namely;

- problem analysis,
- change,
- intervention logic and
- clear indicators, baselines and targets.

These components relates to a number of methodologies that influence the development of a performance management system. The following section provides more detail on these methodologies.

## 4.3 Methodologies related to performance management

As indicated above, a variety of methodologies are applied to develop a truly outcomes-based performance management system. The aim of these methodologies is to provide a framework for institutional financial and non-financial performance that can be adopted within the performance management system of a municipality (i.e. the performance management framework). Within this framework financial performance refers to a municipality's ability to generate new revenue from daily operations over a given period of time and effectively to manage expenditure within budgeted guidelines and cash-flow projections". Non-financial performance relates to the success with which an organisation is able to achieve its vision, strategy and objectives.



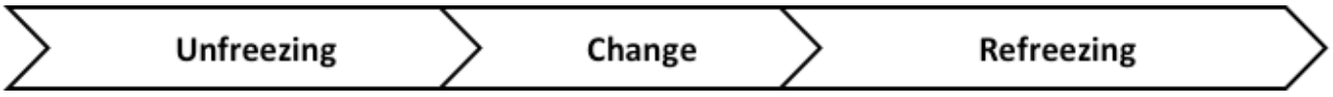

Examples of methodologies that provide scope for the identification of financial and non-financial municipal performance include:

- Situational Analysis and Theory of Change
- The Balanced Scorecard
- Outcomes Measurement Alignment – The Logic Model
- Performance-based budgeting

### 4.3.1 Situational Analysis and Theory of Change

Various planning processes in municipalities are required to guide and govern the activities included in the IDP as well as SDBIP of a municipality. The situational analysis and theory of change can be used to guide pre-planning activities aimed at determining areas where improvements may be required. Simply stated it is a culmination of a series of critical thinking exercises conducted to create a comprehensive picture of change required to achieve long term strategic objectives. This requires a three stage model, aimed at bringing about social change and improvement, namely:

***Figure 6 Theory of change***




During the first phase, ***unfreezing***, the current social issue that is to be changed needs to be researched. Its aim is to determine the reason for dissatisfaction or social unrest that should be eliminated to promote progress. Within this phase the national government has identified a number of priority areas that need change and derived from the twelve outcomes; incorporated in the Outcomes Approach, to be achieved to ensure that change occur within the South African society.

Proposed interventions (programmes/projects) to be followed to achieve an outcome should be depicted on a map known as a *pathway of* ***change***. This pathway of change describes the type of interventions (output indicators) that is required to bring about the outcomes. Each pathway of change is tied to a number of activities, revealing a complex web of actions that are required to bring about change. A *pathway of change* is a roadmap to help stakeholders get from where they are to where they want to be.

The last stage of ***refreezing*** requires behaviour and actions to become habitual, which required developing new interpersonal and inter-governmental relationships. It is valuable because it allows stakeholders to work together to build a commonly understood vision of long-term outcomes, how they will be achieved and what measures will be used to monitor and evaluate progress along the way.

### 4.3.2 The Balanced Scorecard

The Scorecard is an outcome approach tool aimed to assists with alignment and hierarchical cascading of strategic objectives and indicators to all levels of municipal service delivery and enables scoring against top, functional and operational targets. Cascading assist to achieve the strategic outcomes of the organisation

With an emphasis on the word "balanced", the municipal scorecard follows the traditional design approach promulgated by Kaplan and Norton (1996). This method prompts organisations to report in terms of the strategic intent and across

internal and external perspectives. It aligns the principles of financial and non-financial reporting. The Balanced Scorecard was developed as a method to measure whether the smaller scale operational activities of an organisation are aligned with its larger scale strategic objectives. The perspectives to determine the achievement of objectives include the following:

| | |
|---|---|
| **Customer (*electorate, citizens, communities*) Perspective** | Management must know if the Municipality is meeting the electorate's needs. This relates to services and products (outcomes and outputs) the Municipality should achieve. They must determine the answer to the question: *Is the Municipality delivering the services the electorate wants?* |
| **Financial Perspective** | Management must focus on how to meet service delivery needs in an economic, efficient and effective manner. They must answer the question: *Is the service delivered at a good price?* |
| **Internal Processes Perspective** | Management need to focus on those critical operations that enable them to satisfy the electorate, citizens and community. Management must answer the question: *Can the Municipality improve upon a service by changing the way a service is delivered?* |
| **Learning and Growth (*Employee Development*) Perspective** | An organisation's ability to improve and meet community demands ties directly to the employees' ability to meet those demands. Management must answer the question: *Is the Municipality maintaining technology and employee training for continuous improvement?* |

Cascading within the Balanced Scorecard ensures that strategic intent is broken down into individual action. This allows for easy integration with personal performance plans. The Balanced Scorecard is a useful tool to translate strategy into action. The Balanced Scorecard is specifically helpful as a tool to develop the strategy and priorities as part of the IDP process. It can also be used as a budgeting tool.

### 4.3.3 Outcome Measurement Alignment: The Logic Model

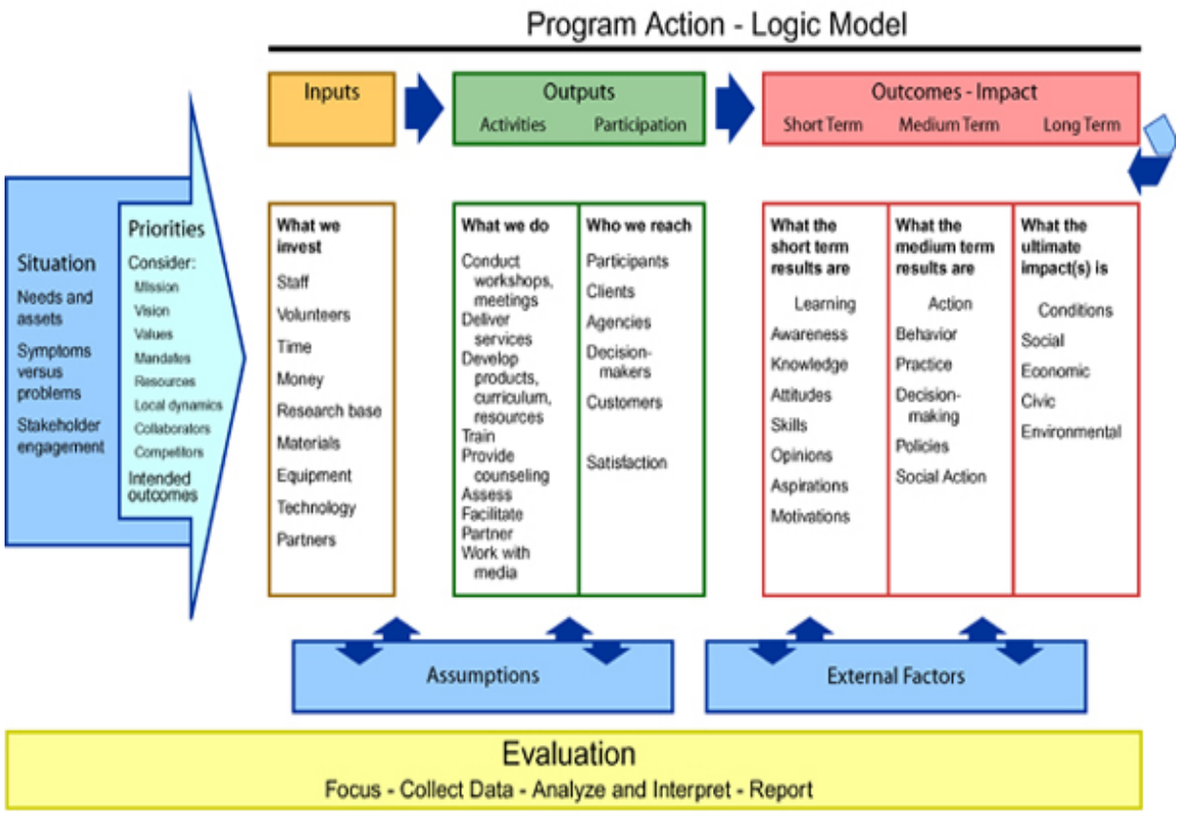
Performance measurement is the golden thread that runs throughout the performance management system. It weaves each of the elements together into a cohesive and aligned system that enables the municipality to give authority to its stated goal of improved service delivery. The Logic Model methodology is used to create a performance measurement system that will ensure effective and efficient performance management.

The Logic Model usually describes the link between an intervention, requirements and activities as well as the expected outcomes. It is an organising tool that explains how a specific action works. It links short term and long term objectives with processes through outcomes and outputs.

The Logical Model operates on the principle that once the objectives of a municipality have been established, they are to be translated into impact, outcomes and outputs. Outputs are the measurement that refers to the quantity and quality of services delivered by the municipality. The achievement of outputs should lead directly to the realisation of outcomes defined in response to key performance areas, strategic objectives and programmes.

The link between inputs, outputs and outcomes can be displayed as follows:

***Figure 7 Logic Model***




Regular measurement of progress toward achieving specified outcomes is a vital component of any effort to manage for results. Effective and efficient performance measurement must therefore encompass the regular measurement of the results (outcomes and outputs) and efficiency of services or programmes (inputs, outputs and outcomes). The methodology of the Logic Model can be customised to suit the needs of any organisation and is particularly supporting in achieving legislative requirements within the municipal performance management framework.

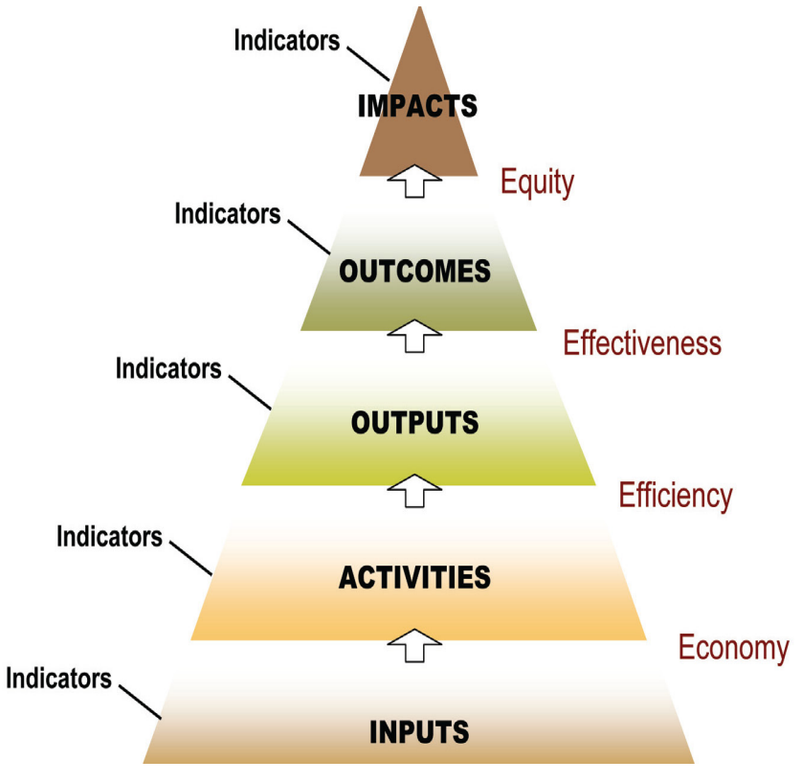
It may for a moment be necessary to briefly examine each of the components of the logic model:

| | |
|---|---|
| **Inputs:** | Are what goes into a programme, project or a process. |
| **Costs:** | Is what the inputs are costing the organisation in terms of a programme, process or project execution. |
| **Activities:** | Relates to what is involved to do something. |
| **Outputs:** | Is the product or service generated. |
| **Outcome:** | Is a description of the intended result, effect or consequence that will occur from carrying out a programme, project or process. |

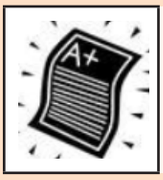
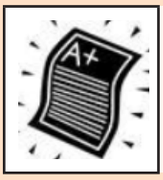
### 4.3.4 Key Performance Indicators

A municipality must compile indicators for each strategic objective, assess them and ensure that they are measurable, clear, precise, relevant, adequate and objective. Such indicators are called Key Performance Indicators (KPIs). National Treasury compiled a hierarchical view to represent how components of the logic model should align to ensure that achievement of strategic objectives. Key Performance Indicators are required to measure the results of each component related to the logic model. A description of these indicators is provided in the table following the diagram.

*Figure 8 Key Performance Indicators*




| | |
|---|---|
| **Input Indicators** | These are indicators that measure economy and efficiency. They measure what it costs the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less (efficiency) without compromising quality. Input indicators can be divided into economic indicators and efficiency indicators:<br><br>Economic indicators are usually expressed in unit cost terms (e.g. the unit cost for delivering water to a single household). From a cost perspective, cost effectiveness relates to the relationship between outcomes and the costs of achieving them.<br><br>Efficiency indicators may be the amount of time, money and human resources it took the Municipality to deliver, for example water, to a single household. |
| **Output Indicators** | Output indicators refers to what is achieved as well as the effectiveness of the achievements and comprises of both outputs and effectiveness indicators:<br><br>Output indicators determine if a set of activities or processes yield the desired products. The output indicators relate to programme activities or processes.<br>Effectiveness indicators are usually expressed in quantitative terms (i.e. number or % of).<br><br><br>An example would be the number of households connected to electricity as a result of the municipality's electricity programme.<br><br>Equity indicators determine the level of standard provided and are influenced by factors of affordability as well as community needs. |

| | |
|---|---|
| **Outcome Indicators** | These are the indicators that measure the quality as well as the impact of the products in terms of the achievement of the overall objectives and relate specifically to strategic, programme or service delivery objectives.<br><br>Quality indicators measure whether the products meet the set standards in terms of the perceptions of the beneficiaries of the service rendered.<br><br><br>Examples of quality indicators include an assessment of whether the service provided to households complies with the applicable standards.<br><br>Impact indicators measure the net effect of the products/services on the overall objective.<br><br><br>An example would be the percentage reduction in the number of houses destroyed by fire due to the replacement of other sources of energy, as a result of the electricity programme. |

An understanding of two additional types of indicators is imperative to ensure effective performance measures. These are composite indicators and baseline indicators:

| | |
|---|---|
| **Composite Indicators:** | Output and outcome indicators should be developed for each municipal function. Each function has a variety of outcomes that need to be measured. The danger of this is that the municipality could end up with a very long list of indicators that becomes difficult to manage and communicate. One possible response to this problem is to use composite indicators for each sector or programme (transport, water, sanitation, electricity, public participation, housing, etc.). Composite indicators combine a set of different indicators into one index by developing a mathematical relationship between them. |
| **Baseline Indicators:** | Baseline indicators show the status quo or the current situation. They may indicate the level of poverty, services, infrastructure, etc. They are usually utilised in the planning phase to indicate the challenges the municipality is faced with. They are used to assess whether programmes are indeed meeting needs. Baseline indicators are typically used for reporting purposes and no targets or scores are attached to them.<br><br><br>An example will be the number of impoverished households. These baseline indicators are typically used when reporting to Co-operative Governance and Traditional Authority (COGTA) on the status quo of municipal service delivery. |

**Activity 3**

| | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 25 minutes |

| | |
|---|---|
| Activity Requirements | Explain the following performance management concepts, giving at least 2 practical examples for each concept:<br>• Performance indicators<br>• Outcomes<br>• Outputs<br>• Effectiveness and efficiency<br>• Economy |

### 4.3.5 Performance Based Budgeting

Performance Based Budgeting indicates the relationship between the levels of programme funding and the anticipated outcomes. It refers to a single or a set of performance target(s) which must be achieved at a given expenditure level.

Performance-based budgeting methodology is to be used to link the objectives and outcomes to monetary requirements.



Performance-based budgeting is the method used to allocate resources to achieve specific objectives based on programme goals and measured results. Performance-based budgeting is a systematic approach for developing effective performance budgets. It uses a methodology that instils real performance-related transparency into the budget by linking daily programme activities with long term strategic objectives and identifying the full cost and unit cost of activities.

In line with the requirements of the MFMA and various National Treasury Circulars, this budgeting method is result-oriented, ensuring integration between municipal strategies, outcomes and financial framework. Activities to achieve strategic objectives form the foundation of the overall evaluation. Performance-based budgeting comprises three elements:

- the result (final outcome);
- the strategy (different ways to achieve the final outcome); and
- activity/outputs (what is actually done to achieve the final outcome).

According to Section 1 of the MFMA, expenditure in terms of an approved budget should be displayed by vote. Votes provide budget structure for appropriate service delivery and performance. Votes must be linked to strategic, tactical or operational level. One of the key reforms required by the MFMA is to link measurable performance objectives to votes to ensure that municipalities are accountable to the community for service delivery as well as expenditure and revenue.

Performance based budgeting is based on the assumption that presenting performance information alongside budget amounts will improve budget decision-making by focusing funding choices on programme results. Performance based budgeting cannot begin until a system of performance measurement has been instituted.

To conclude: priorities, objectives, key performance indicators and strategic projects (initiatives) and budget are required to feed into the IDP and subsequently into the SDBIP that determines whether the services offered by the municipality meet the requirements and needs of its communities as well as statutory obligations. Both the Strategic and Organisational Plans are included in the IDP. Performance measurements are required to determine the economy, effectiveness and efficiency with which the municipality is delivering required strategies and services.




A budget is used to ensure that sufficient funds are available to achieve the strategic objectives, outcomes and outputs identified.

## 4.4 Relating Financial and Non-Financial Performance Management Concepts to the Outcomes-Based PMS

Creating a performance management system with measurement at its core is important as this will energise the people in an organisation to focus their effort on improving things that really matter. Effective and efficient performance measures will give people the information and freedom that they need to realise their potential within their roles in the organisation and that aligns their contribution with the success of the municipal performance measurement system.

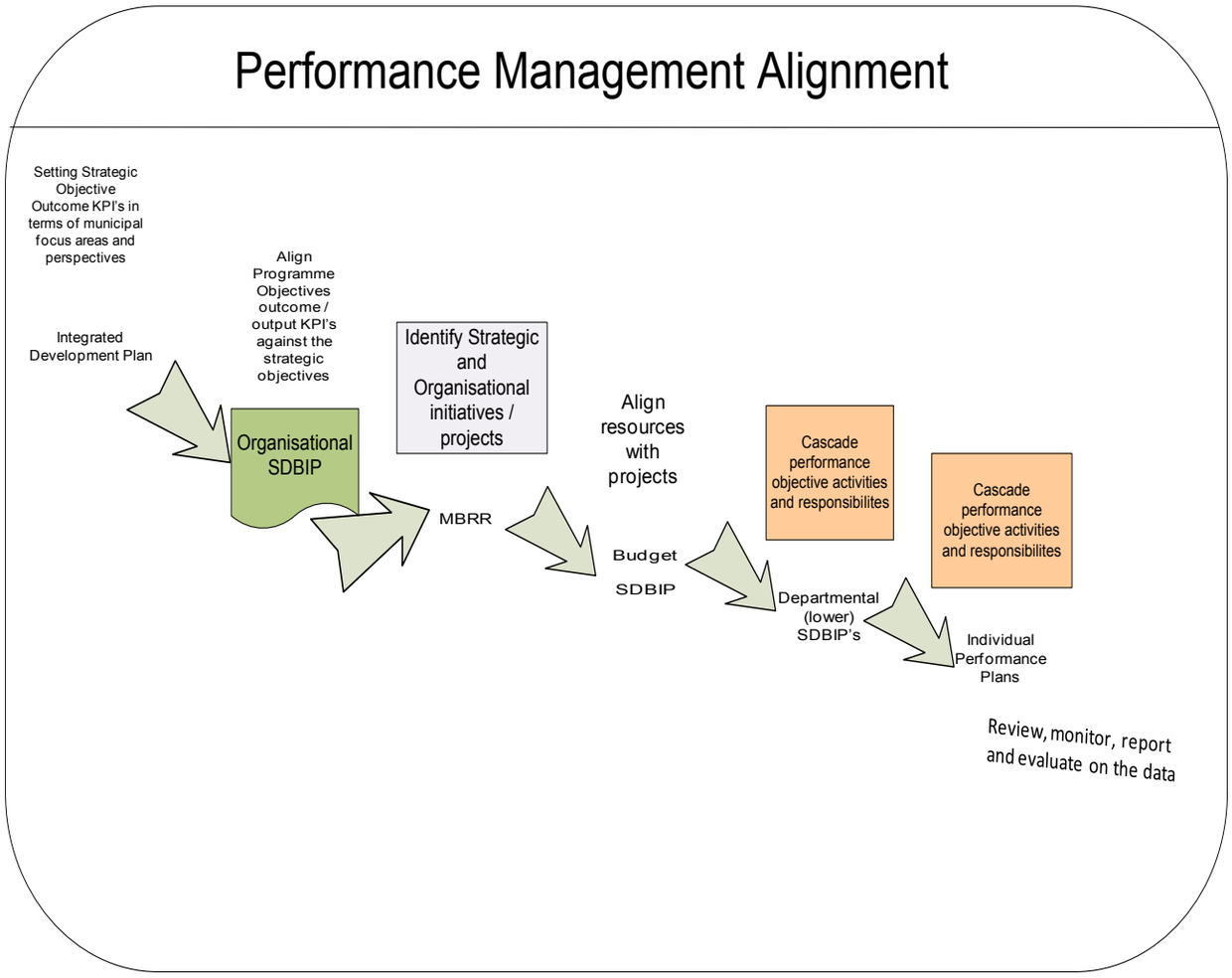



Two principles should be adhered to when compiling performance measures, namely:

- measure what matters, and
- keep it simple.

It is important that performance measures link directly to strategies, budget and individual performance to create an outcomes-based performance management system. The following illustration by the Institute for Performance Management (2007) illustrates the alignment of performance management processes with measurement to create an outcomes-based system:

***Figure 9 Performance Management Alignment***




Within this framework, priorities should be set that are consistent with national priorities. These priorities should also be based on identified needs that are achievable in the current term of political office. Such priorities form the basis of the IDP. A financial plan and medium term income and expenditure framework (MTREF) should be compiled in line with the strategic objectives of the municipality.

All components of the integrated development plan, whether they are strategies or priority areas, need to be translated into a set of strategic objectives. This is a crucial stage in ensuring that there is clarity on the IDP and Annual Reporting thereof, and that suitable indicators are found. A construction of clear and concise statement of different level objectives (at strategic, organisational and departmental level) and measurement are needed.

Indicators must be adopted as prescribed in Section 43 of the MSA (2000) as amended to provide scope for measurement. In line with the MFMA and the MSA, the Strategic Plan must be cascaded into three levels:

- A **strategic level** where the focus is on impact and an overall view of the health of the municipality. This is strategic in nature.
- **Organisational level** where the focus is on programmes that will be implemented by the municipality. This is between strategic and operational level and will be unpacked in the IDP and SDBIP as per the MFMA.
- At **Departmental level** where the focus becomes the departmental responsibilities toward the municipal strategies. This is operational internal documents utilising as implementation monitoring plans.

In line with the MFMA and the MSA, the IDP, MTREF and budget, SDBIP and Lower SDBIP must be cascaded into the above levels.



Lower SDBIP is referring to the next (lower) layer of detail of the SDBIP.




For example, at IDP level the focus is on impact and an overall view of the health of the municipality on both the strategic objectives and programmes (developmental objectives). This is strategic in nature.

At organisational level the focus is on programmes that will be implemented by the municipality, as the accountable role player. This is more developmental in terms of specific service delivery areas and cross cutting issues. This in turn will lead to the Departmental Scorecards that shall be unpacked in the departmental service delivery and budget implementation plan (SDBIP) and Lower SDBIP.

These different levels shall resemble different types of indicators and hierarchies of indicators that shall aggregate a score to the municipal outcomes. Execution and measurement of the achievement of priorities and objectives can only be achieved by compiling performance indicators as measurement tools.

Key Performance Indicators must be compiled to ensure the successful implementation of strategic objectives. Such indicators provide guidelines to ensure cascading of strategic objectives to every department and individual within the municipality. According to *Chapter 3(10): Municipal Planning and Performance Regulations 2001*, the municipality must adopt the key performance indicators as prescribed in Section 43 of the Local Government MSA (2000) as amended.

The vertical outcome provides a structure for the integration between the IDP and SDBIP where the IDP is cascaded to the budget and SDBIP, and where departmental outputs and outcomes are integrated with the outcomes and outputs of the organisational SDBIP. Departmental scorecards capture the performance of each department and provide a comprehensive picture of the performance at that level. Departmental scorecards comprises of key components from the strategic and organisational level as well as the other key information to be included.



An example of a typical cascade development follows:

| Municipal Level | | | | | |
|---|---|---|---|---|---|
| **Strategic Objective** | **Programme Objective** | **Departmental Objective** | **Strategic Indicator** | **Programme Indicator** | **Departmental Indicator** |
| To provide accessible basic (or higher) water services | To provide potable water to communities | Provision of quality basic water services | % of households provided with a basic level of water to eradicate backlog | % of households provided with blue drop water | % of new stand pipe water connections installed |

These components are called performance objectives, indicators and targets and are the planned level of performance or the milestones an organisation sets for itself for each identified indicator. It is the desired level of service delivery for the current financial year or a specific period. Targets are usually expressed in terms of quality and time. The IDP five year targets are most likely to be different from the SDBIP annual targets.

Achieving performance targets (both stretched and realistic) requires the setting of baseline measurements. Baseline measurements are the measurement of the performance indicator at the start of a specific period. If performance is seen as a race, then baseline is the starting point and target, the finish line. Baseline information is required to define the status quo. Baseline derives from the situational analysis in the IDP. The performance target should be compared with the baseline information to determine if any progress was made to achieve the set targets.



The setting of targets entails a two-way communication: **Politicial office bearers** need to give clear direction as to the importance of the targets and how it will address the public need, constitutional mandate and technical and financial constraints within the municipality.



The annual report must reflect achievement against the annual reflected IDP targets. The SDBIP reflects quarterly achievement against the annual IDP target.



**Line managers** need to provide guidance as to what a realistic and achievable commitment for a target is – given the availability of resources and capacity.

This model is then monitored, reported and can be used as a management tool, decision-making tool, auditing and oversight as well as á tool for reporting to different stakeholders.

## 4.5 Municipal Key Performance Areas

Each community has needs that need the municipalities has to provide. There are some needs that are basic to all communities and some may vary from community to community. It is against provision of such services that municipalities should come up with key performance areas.



**Key performance areas**:

These are the areas in which the municipality plays a role towards delivering of services.

The development priorities and objectives formulated by the municipality in its integrated development planning process must be clustered in respect of the following **key performance areas**:

- Infrastructure and services;
- Social and economic development;
- Institutional transformation;
- Democracy and governance; and
- Financial management.

Key performance areas of a municipality are meant to address community needs and challenges. Community needs can be identified through various means, including:

- Direct input from the community through area forums, ward committees or mayor's listening campaigns.
- Input from special interest groups through summits and conferences.
- Indirect input through quality of life surveys and opinion polls.

Section 73 of the MSA, 2000 requires that municipalities give effect to the provision of the Constitution and-

- give priority to the basic needs of the local community;
- promote the development of the local community; and
- ensure that all members of the local community have access to at least minimum level of basic municipal services.

Minimum services must-

- be equitable and accessible;
- be provided in a manner that is conducive to-
- the prudent, economic, efficient and effective use of available resources; and
- the improvement of standards of quality over time;
- be financially sustainable;
- be environmentally sustainable; and
- be regularly reviewed with a view to upgrading, extension and improvement.

Schedule 4, part b of the Constitution highlights the following as local government services:

- Air pollution
- Building regulations
- Child care facilities
- Electricity and gas reticulation
- Firefighting services
- Local tourism
- Municipal airports
- Municipal planning
- Municipal health services
- Municipal public transport
- Municipal public works
- Pontoons, ferries, jetties, piers and harbours
- Storm water management systems in built up areas
- Trading regulations
- Water and sanitation services
- Abattoirs
- Ambulance services
- Archives other than national archives
- Libraries other than national libraries
- Liquor licences
- Museums other than national museums

The COGTA framework for municipal indigent policy provides the following from the Constitution as basic necessities, which forms the basis of service delivery in municipalities. They are:

- sufficient water;
- basic sanitation;
- refuse removal in denser settlements;
- environmental health;
- basic energy;
- health care;
- housing; and
- food and clothing.

Municipalities should develop a framework for identifying key performance areas by defining individual key performance areas and key performance indicators that includes criteria to review performance.

A performance management system provides a framework for regularly monitoring and evaluating the municipality's performance in relation to the objectives of and indicators in the IDP. The municipalities need to prepare key performance indicators, which can be used to check that the IDP is being implemented as planned, that, resources are being used efficiently, and that deviations are corrected.

The following Key Performance Areas (KPAs) are outlined in the Local Government: Municipal Planning and Performance Management Regulations (2001) inform the strategic objectives listed in below:

- *Municipal Transformation and Organisational Development.*
- *Infrastructure Development and Basic Service Delivery.*
- *Local Economic Development (LED).*
- *Municipal Financial Viability and Management.*
- *Good Governance and Public Participation.*

The KPA must be assessed to ensure that they speak to the municipality's specific vision and mission statements. This will ensure that all key performance areas in the municipality`s service delivery cycle are measured against its outlined mandate (i.e. vision and mission).

## 4.6 Compiling Key Performance Indicators as Measurement Tools

Section 41 of the MSA states that a municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed, set appropriate key performance indicators (KPIs) as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its IDP. Setting KPIs is a legal requirement and an important step in the implementation of the performance management system.

The identification and setting of KPIs can be an intricate task. The MSA (as amended) as well as the Performance Management Guidelines and Regulations give clear direction on how it should be done (Guidelines par. 5.2.1, 5.2.2, 5.2.3, 5.2.4, Regulations 9 - 13). A municipality must identify indicators for each strategic objective/programme by brainstorming them.

General KPIs have been mentioned in Section 43 of the MSA, 2000 and set in the Performance Management Regulations (Regulation 10). These general KPIs include:

- Percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
- Percentage of households earning less than R1100 per month with access to free basic services.
- Percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's Integrated Development Plan.
- Number of jobs created through municipality's local economic development initiatives including capital projects.
- Number of people from Employment Equity target groups employed in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan.
- The percentage of a municipality's budget actually spent on implementing its Workplace Skills Plan.
- Financial viability: Debt Coverage; Cost Coverage and Service Debtors to Revenue.

In addition to the above, the national KPI's, national outcomes / outputs and Annual Report feedback must also be included in the IDP and measured in terms of the strategic and organisational plans.




Identifying KPIs as performance measures starts with the development of the strategic plan that input the IDP process. Strategies unfold out of the SWOT that feeds objectives, strategic KPIs and strategic initiatives/projects. The indicators need to measure the outcomes (ultimate, intermediate and immediate), inputs, activities and outputs in terms of the hierarchies.

Vigorous checking of KPIs should be conducted to ensure that they comply with the following requirements:

| | |
|---|---|
| **Measurable:** | • KPIs should be easy to calculate, easily generated and at a reasonable cost – given the financial and administrative capacity of the municipality. |
| **Simple:** | • Can measure one dimension of performance at one given time;<br>• Separate different performance dimensions and set indicators for each separately; and<br>• Avoid combining too much in one indicator. |
| **Precise:** | • KPIs must measure only those dimensions that the municipality intends to measure. |
| **Relevant:** | • KPIs must measure only those dimensions that enable the municipality to measure progress on its objectives;<br>• They measure performance on areas following within the powers and functions of the municipality; and<br>• They measure performance of the year in question. |
| **Adequate:** | • KPIs measure quality, quantity, efficiency, effectiveness and impact; and<br>• Separate indicators are set for each of priority and objective. |
| **Objective:** | • KPIs state clearly what is to be measured without ambiguity. |
| **Time:** | • Time stresses the importance of grounding goals within a time frame, giving them a target date. A commitment to a deadline. A time-bound goal is intended to establish a sense of urgency. |

Composed indicators should be evaluated in terms of the unit of measurement, baseline, target and scoring. A SMART indicator shall include all of the above. At this point it may be required to briefly explain what is meant by a unit of measurement.

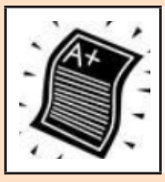


A unit of measurement is exactly what it says; it is the element that is used for measurement.

Within the municipal framework that may include a percentage, Rand value, number, days, etc. Please note that activities are NOT measurement or key performance indicators. Activities are the next step of development. Reporting should always occur by providing detail on the assessment of a measure of a unit. The indicator, unit, reporting frequency, baseline and targets together gives meaning to SMART.



Examples of indicator types linked to measures of units are provided below:

| | |
|---|---|
| **Typical direct indicators** | Include, cost or price, distribution, quantity, quality, dates and time frames, adequacy and accessibility. Cost or Price indicators are both important in determining the economy and efficiency of service delivery. |
| **Distribution indicators** | Relate to the distribution of capacity to deliver services and are critical to assessing equity across geographical areas, urban-rural divides or demographic categories. Such information could be presented using geographic information systems. |
| **Quantity indicators** | Relate to the number of inputs, activities or outputs. Quantity indicators should generally be time-bound;<br> Example: the number of inputs available at a specific point in time, or the number of outputs produced over a specific time period. |
| **Quality indicators** | Reflect the quality of that which is being measured against predetermined standards. Such standards should reflect the needs and expectations of affected parties while balancing economy and effectiveness. Standards could include legislated standards and industry codes. |
| **Dates and time frame indicators** | Reflect timeliness of service delivery. They include service frequency measures, waiting times, response time, turnaround times, time frames for service delivery and timeliness of service delivery. |
| **Adequacy indicators** | Reflect the quantity of input or output relative to the need or demand - “Is enough being done to address the problem?” |
| **Accessibility indicators** | Reflect the extent to which the intended beneficiaries are able to access services or outputs. Such indicators could include distances to service points, travelling time, waiting time, affordability, language, accommodation of the physically challenged. |

The process of writing KPIs in and of itself is not difficult. However, creating KPIs that will be effective requires consideration. A KPI instruction field for each KPI should be developed to ensure its achievement and that everybody using the KPI understands the intended purpose of the KPI. This KPI sheet should include information on the following:

| | |
|---|---|
| **Link KPI to objective** | Write KPIs as concise, individual statements indicating how each KPI correspond with a specific objective. It is important for management and staff to know why they ought to strive to reach a specific objective / outcome or why performance needs to be measured. |

| | |
|---|---|
| **Purpose** | Begin the KPI sheet with a header defining the purpose of the KPI. Keep it a brief, yet as specific as possible. |
| **Unit measure** | Specify how the KPI will be measured in a unit, including the frequency of measurements. |
| **Target/Time** | Set a target for each KPI. Determine the baseline that is quantifiable and measurable. It should provide a desired output / outcome to be achieved within a specific time period. |
| **Portfolio of Evidence** | Specify what has to be submitted as evidence to support the achievement of the output reported against the target set. |

The KPI instruction field must also be very specific with respect to indicators relating to the provision of basic services where the level of service to be provided must be clearly designated. It is assumed that during the process of community participation in the development of the IDP that the level of service to be provided is clearly communicated and understood by all stakeholders, as this has significant impact on funding, capacity to implement, revenue collection and the perception of services rendered. Basic services needed in rural areas may be of a different level than those in urban communities. Therefore the description of the KPI must be unambiguous in this respect.




Examples of different levels of basic service by type are outlined in the accompanying table.

## Levels of Service

| Service Type | Level 1 Basic | Level 2 Intermediate | Level 3 Full |
|---|---|---|---|
| Water | Communal standpipes | Yard taps, yard tanks | In house water |
| Sanitation | (Sewage collection/ disposal | VIP Latrine Septic tanks | Full water borne |
| Electricity | 5-8 Amp or non-grid electricity | 20 Amps | 60 Amps |
| Roads | Graded | Gravel | Paved/tarred and kerbs |
| Storm water drainage | Earth lined open channel | Open channel lined | Piped systems |
| Solid Waste disposal | Communal (Residents) | Communal (Contractors) | Kerbside |

The next step in understanding the performance management system is to describe the application taking legislation and performance methodology into consideration.




As you know by now, performance management is the approach that provides strategic direction to manage the performance of a municipality. It is a multidimensional contrast that measures a variety of factors that impact on the effective and efficient performance of a municipality. Performance management relates to the efficiency relationship between management and measurement. Sections 38 and 39 of the MSA (2000) require municipalities to develop and implement a PMS.

The process of developing and implementing a PMS entails various components aimed at planning, monitoring, reporting on and evaluating the performance, on an organisational as well as at employee level.




KPIs as measurement tools are used to determine whether a municipality has indeed achieved its set outputs against outcomes.

The aim of the following section is to provide detail on how measurement can be applied to the various performance management processes. To enhance the learning, process examples will be provided, where applicable. You are however encouraged to work through this section with a copy of the IDP and SDBIP of your municipality to determine whether measurement is indeed applied correctly to the performance management processes of your municipality.

## 4.7 Defining and Setting Goals and Objectives

Goals and objectives describe what the municipality / programme / project is striving to accomplish. Goals depict the general programmatic outcomes, while objectives specify more specific outcomes. It is common to have several objectives for each programme/project goal.

Goals and objectives can be differentiated in the following ways:

| Effective goals: | Effective objectives: |
|---|---|
| • are broad statements of meaningful outcomes<br>• are clearly written<br>• are achievable<br>• provide a framework for writing statements of objectives<br>• are adaptable to changes in the program<br>• are consistent with the mission statement of the program and institution | • use action words that specify definite, observable behaviours<br>• indicate an appropriate level of attainment<br>• are assessable through one or more indicators<br>• comprehensively and meaningfully define a goal<br>• are realistic and achievable<br>• use simple language |

### 4.7.1 Setting S.M.A.R.T. Goals

**Differentiating between a goal and accountability**



Accountability is a statement about normal work output… a clearly defined and established on-going responsibility or requirement of a job.

Accountabilities and associated supporting activities are found on the position description. They describe what the person in that position is responsible for regularly producing or providing, that is, what are the normal expected outcomes of the position.



A goal is a general statement about a desired outcome with one or more specific objectives that define in precise terms what is to be accomplished within a designated time frame. A goal may be performance-related, developmental, a special project, or some combination.

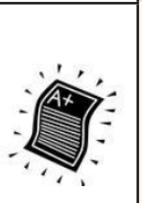
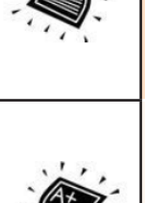
### Types of performance, developmental and special project goals

A performance goal is usually linked to accountability and could involve implementation of specific programmes or project, problem- solving, innovation, or implementation of some type of improvement. A developmental goal may serve

to enhance performance in the current role (greater depth of knowledge/skills) or prepare for a new or future role. Special projects could include a "stretch" assignment (build experience), be based on the municipal plans (IDP or SDBIP), or meet a particular organizational need are (e.g. Local Economic Development).

### S.M.A.R.T. Goals

Goals should describe accomplishments, not activities. First, let us look at what the S.M.A.R.T. acronym means…

| Element | Description | Examples | |
|---|---|---|---|
| **Specific:** | Goal objectives should address the five Ws… who, what, when, where, and why. Make sure the goal specifies what needs to be done with a timeframe for completion. Use action verbs… create, design, develop, implement, produce, etc. |  | Example: Pay valid invoices from suppliers within 30 days |
| **Measurable:** | Goal objectives should include numeric or descriptive measures that define quantity, quality, cost, etc. How will you and your staff member know when the goal has been successfully met? Focus on elements such as observable actions, quantity, quality, cycle time, efficiency, and/or flexibility to measure outcomes, not activities. |  | Example: A municipality may plan to build 100 RDP houses measuring 80m$^2$ each in plan size. |
| **Achievable:** | Goal objectives should be within the staff member's control and influence; a goal may be a "stretch" but still feasible. Is the goal achievable with the available resources? Is the goal achievable within the timeframe originally outlined? Consider authority or control, influence, resources, and work environment support to meet the goal. |  | Example: A municipality may plan to achieve an unqualified audit opinion from a disclaimer in 2 years. |
| **Relevant:** | Goals should be instrumental to the mission of the municipality (and ultimately, the institution). Why is the goal important? How will the goal help the department achieve its objectives? Develop goals that relate to the staff member's key accountabilities or link with municipal goals / mandate that align with the institutional agenda. |  | Example: Municipal services in line with the Constitution (section 152 & schedule 4 part b of the Constitution) which include include municipal health services, municipal public transport, stormwater management systems, electricity, firefighting services, etc. |
| **Time-bound:** | Goal objectives should identify a definite target date for completion and/or frequencies for specific action steps that are important for achieving the goal. How often should the staff member work on this assignment? By when should this goal be accomplished? Incorporate specific dates, calendar milestones, or timeframes that are relative to the achievement of another result (i.e., dependencies and linkages to other projects). |  | Example: Conduct routine repair works on municipal roads every 2 years.<br>Prepare financial statements within 2 months after year end, that is, by end of 30 August each year. |

### 4.7.2 Establish organisational objectives

Municipal objectives define what the municipality wants to achieve from its operations. Different organisations aim for different objectives depending on their needs, the opportunities they identify, and the environment within which they operate.




For example, municipalities may have objectives such as:

- To have 95% of indigents on the full indigent support programme of the municipality.
- To achieve a qualified audit opinion.
- To reduce fritless and wasteful expenditure by 50%.
- To achieve an average collection period of 45 days on 90% of all municipal services debtors.
- To achieve an average payment period of 30 days as per the MFMA.

There are several important factors to consider when establishing municipal objectives, including:

- Community needs,
- Provincial and national development and policy requirements,
- Available resources and budget,
- Current running projects,
- Business needs of key stakeholders,
- The social, economic, political, environmental factors,
- Strengths and weaknesses of the municipality,
- Other relevant factors informed by consultation and the strategic planning processes.




A strategic planning process would have assisted in achieving this process. Note that the above is not an exhaustive list.




SMART

When setting municipal objectives, one needs to make sure that they are:

- Specific – should specify what is to be achieved.
- Measurable – should be expressed in measurable terms such as key performance indicators, outcomes, numbers, percentage, rand, etc.
- Action-oriented – should state which actions need to be taken and who will take them.
- Realistic – should be achievable with the resources available.
- Time Specific – should have specified time frames.

### 4.7.3 Developing Performance Standards

While performance elements tell management and employees what they have to do, the standards tell them how well they have to do it.



A performance standard is a management-approved expression of the performance threshold(s), requirement(s), or expectation(s) that must be met to be appraised at a particular level of performance.

Performance standard is interchangeably termed performance target/(s).

A fully successful (or equivalent) standard must be established for each critical element and included in the manager or employee performance plan and agreement. If other levels of performance are used by the appraisal system, writing standards for those levels and including them in the performance plan is not required but is encouraged so that employees will know what they have to do to meet standards higher than the minimum set for them or their teams.

#### 4.7.3.1 General Measures




Performance standards should be objective, measurable, realistic, and stated clearly in writing (or otherwise recorded). The standards should be written in terms of specific measures that will be used to appraise performance.

In order to develop specific measures, one first must determine the general measure(s) that are important for each element. General measurers used to measure employee performance are informed by relevant legislation such as the performance regulations that notes some of the key performance indicators for the municipal environment. Standards may have to be set with such parameters.




**Important considerations**

For each element, decide which of these general measurers are important to the performance of the element by asking the following questions:

- Is quality important? Does the stakeholder or customer care how well the work is done?
- Is quantity important? Does the stakeholder or customer care how many are produced?
- Is it important that the element be accomplished by a certain time or date?
- Is it important that the element be done within certain cost limits?

#### 4.7.3.2 Specific Measures

Once management has decided which general measures are important, they must now develop specific measurers. It is these specific measures that will be included in the standard. To develop specific measure(s) for each element, management must determine how you would measure the quantity, quality, timeliness, and/or cost-effectiveness of the element. If it can be measured with numbers, clearly define those numbers. If performance only can be described (i.e., observed and verified), clarify who would be the best judge to appraise the work and what factors they would look for.



The first-line supervisor is often the best person to judge performance, but there may be situations, depending on what is being measured, when a peer or the stakeholder receiving the municipal service would be the best judge.




The following questions may help you determine specific measures. For each general measure, ask:

- How could [quality, quantity, timeliness, and/or cost effectiveness] be measured?
- Is there some number or percent that could be tracked?

If there is no number, and the element can only be judged, ask:

- Who could judge that the element was done well? What factors would they look for?

**Activity 4**

| | |
|---|---|
|  | Group Activity<br>3 – 5 members |
| Time Allocation | 10 minutes |

| | |
|---|---|
| Activity Requirements | Explain the following performance management concepts, giving at least 2 practical examples for each concept:<br>• Performance targets<br>• Key performance Areas |

### 4.7.4 Setting performance standards for individuals (officials) and teams

***Performance standards must be about the individual***

On individual scorecards at lower levels of employees, performance expectations must be about the individual, not the team or the municipality. This is not to say that you cannot have team based metrics and targets, however they should not be included in the lower level employee's performance appraisal. You can assess an individual based on their team behaviors and their contribution to the team. However, the output of the team is not the responsibility of any one team member. Team performance is clearly the accountability of the team leader.

Many organisations include elements like audit outcome or overall municipal performance against set outputs or outcomes as part of a performance reward system, which is acceptable. However, it is not reasonable to include a weighting of a lower level employee performance based on these criteria. Employee performance must be assessed, in a performance review, based on the work and behaviors of the individual.

***Ensure the performance standard is relevant to the employee's job and are within the employee's control***

This may seem intuitive, however some municipalities may adopt a one size fits all approach to creating performance standards and as a result everyone in a certain job classification has the same set of performance standards. While this is good for the majority of employees, it is not good for those employees whose roles do not fit with the standard set of measures.




Common examples are;

- The employee who resolves the more complex customer requests, this employee tends to be in contact with fewer customers and takes considerably longer with each customer. Though they often have the same targets as other employees who deal with mainstream customer issues.
- Employees in senior roles with no direct reports are often measured on employee engagement, while this may seem ideal, if they have no direct reports they have less ability to influence outcomes than leaders with direct reports.
- Some municipalities may insist on every employee having customer satisfaction (as part of Batho Pele principles) as a measure, which sounds great, however a budget and treasury manager in the office of the CFO has less ability to influence customer satisfaction than the customer service team who are at the front desk dealing with community members receiving municipal services.

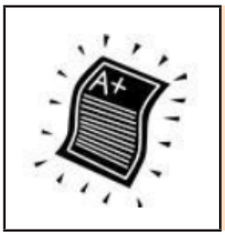



One example:

A numeric target, such as "serving 6 customers per hour" sounds good; however if you do not control the rate of customer arrivals then the measure is not within the employees control, as there may be times when less than 6 customers per hour arrive at the municipality to be served on certain days.

***The measures must be free from contamination***

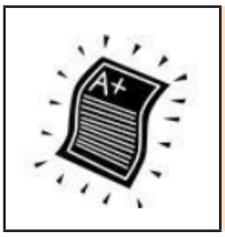
The measurements that one relies on need to be absolute rather than indicative; one needs to be sure the measurement reflects the performance of the individual. It is important to note that there are areas where one cannot accurately measure individual performance.



Example:

A municipality may complete satisfaction or engagement surveys of their employees, with results provided at municipal, department and team level.

The outcome of the survey may be contaminated by one unit that poorly performs and is visible to the target audience giving input into the survey.



Example:

Team leaders may be measured on the level of unplanned absence in their team. Though occasionally one may have an employee who has a high level of unplanned absence and even with close management these employees still tend to have high level of unplanned leave. This one person with high leave contaminates the team leader's overall level of performance in that team / unit.

***The measures should be motivational***

Motivating people is a challenge; this can be assisted by developing performance standards that are motivational. A manager or supervisor needs to ensure that the performance standards are motivation by avoiding these common killers of motivation.

***Targets are too soft***

If the targets are too soft your subordinates will have no need to stretch, you will quickly find that no one is motivated to achieve soft targets.

***Too much of a stretch***

If your subordinates do not believe that they can achieve their goals, they will not be motivated to try.

***Measures are too complicated***

When measurement systems are too complicated and not understood by the employees with respect to how they are designed to measure, this may demotivate employees. If your subordinates do not understand how they are being measured you will not be able to motivate them to achieve the required level of performance.

***Employees do not know what they are measured on***

Sometimes managers do not adequately communicate the performance measures to their subordinates. Whilst they may communicate the performance standards once at the beginning of the year, they often do not revisit the measures and current results throughout out the year (perhaps monthly or quarter yearly). Reinforcement is required to ensure your subordinates understand their measures, and how they can improve their results.



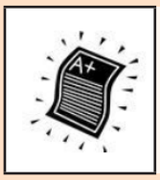

***Management Tips:***

***The measures must not encourage your people to make bad choices***

Performance standards need to motivate your people to do the right thing rather than the wrong thing. A common debate is if you push high levels of service delivery, you may increase error rates or reduce quality. This need not be the case, especially if you only focus on the outputs by number than the level of quality in the deliverable.

***The measures must be clear***

When setting performance standards it is easy to be too concise and to overlook some critical details in how these standards are described.




For example, while a target may be set, it is important to set the timeframes within which the target must be reached e.g. monthly, quarter yearly or annual.

**Activity 5a**

| | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 10 minutes |
| Activity Requirements | Explain the various components of a performance management system, giving details of the practical activities that must be implemented at the municipality.<br><br>**Implementation**<br>• (include scorecards, project management, performance culture, supply chain management, policies, standard operating procedures, etc) |

## 4.8 The Application of Performance Management Processes

### 4.8.1 Planning / Review

*Planning / review*, essentially consists of actions that take place at different times of the municipal financial year, that is: the planning/review of the IDP and the compilation of the budget and SDBIP and employee performance plans as well as the mid-year review and adjustment budget and adjustment SDBIP translated into adjusted employee performance plans. Each of these components will be described in more detail below.

**Integrated Development Plan and Performance Management**

An IDP is a plan of how a municipality will spend its money for the next five years. It sets out the budget priorities of the municipality. The IDP is supported by the Medium Term Revenue and Expenditure Framework (MTREF) budget. The IDP is a tool the municipality can use to assist with the effective use of resources. An effective IDP will help speed up delivery and attract additional funds. It will ensure public confidence as it is a combined effort between the municipality and community. If the municipality therefore produces results, the public becomes more confident in their capability and will thus be more responsive to municipal requests. The IDP can assist co-ordination between local, provincial and national government whom needs to work together to ensure the needs of the community is met. In fact the Turnaround strategy of 2009 promotes and emphasise this strategy.

The explanation in the Performance Management Guidelines for Municipalities (2001: Ch 5) makes it clear that a strategic approach to the implementation of a performance management system is very important. This strategic approach should correlate with the IDP planning and review processes, and will also lead to the development of the SDBIP and budgetary

implementation plan for the year. The process undertaken to produce the IDP consists of 5 phases.

## Phase 1: Analysis

During this phase information is collected on the existing conditions within the municipality. It focuses on the types of problems faced by people in the area and the causes of these problems. The identified problems are assessed and prioritised in terms of what is urgent and what needs to be done first. Information on availability of resources is also collected during this phase. At the end of this phase, the municipality will be able to provide municipal baseline information that should be included in the status quo report of the IDP Phase 1.

This baseline information is used for the development of the strategies and measurement during Phase 2.

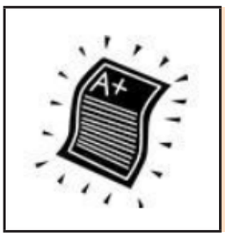


The fourth quarter performance report and unaudited **Annual Report** feedback should feed the IDP baseline information. The Annual Report feedback obtains the information from the actual achieved during the previous financial year.

An assessment of the existing level of development is required if no baseline exist. Details on priority issues and problems and their causes must be presented.



The annual report can be used as the starting point to determine areas of concern.




An example of how the scorecard can be used to identify the current status quo, inclusive of baseline information and translate progress required within the next five years in terms of set targets, can be displayed as follows:

| Status Quo | Baseline | Target Year 1 | Target Year 2 | Target Year 3 | Target Year 4 | Target Year 5 |
|---|---|---|---|---|---|---|
| Households have access to basic water | 48% | 53% | 58% | 63% | 68% | 73% |

## Phase 2: Strategies

During this phase, the municipality works on finding solutions to the problems assessed in Phase One. In terms of its mandate the municipality may conduct a SWOT or PEST analysis or both to determine its strong points and weaknesses to work on in order to ensure the achievement of strategic objectives.

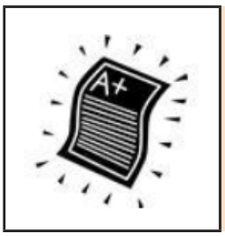
In order to strategically place the municipality in a position to meet community needs, it should develop and continuously review its vision and mission to ensure that there is alignment between that and the strategies set for the municipality.

The vision is a statement of the ideal situation the municipality would like to achieve in the long term once it has addressed the problems outlined in phase one. The following are examples of a vision statement:

- *"City of Joburg – a world class African city"*

- *"Mopani - the food basket of southern Africa and the destination of choice"*

The mission statement revolves around the level and quality of services a municipality wants to develop and implement.



For example, the mission statement of the Mopani District Municipality is:

"*To provide integrated, sustainable and equitable services through democratic, responsible and accountable governance".*

From the vision and mission, strategic objectives based on the critical success factors of the municipality must be developed. For every strategic objective, a strategy and outcome inclusive of strategic indicators and strategic projects must be developed.



For example:

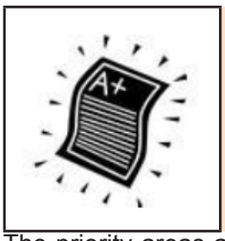
| KPA | Strategic Objective | Outcome | Strategy | KPI | Baseline | Target | Strategic Project/ Process |
|---|---|---|---|---|---|---|---|
| Basic Service Delivery | Integrated sustainable infrastructure and services | Increase in households with access to basic services | Development of l5 year strategy and master plan that will guide all future infrastructure development, refurbishments and required maintenance. | % households provided with basic services | 30% | 47.5% | Infrastructure Master Plan |

Within this phase it is also important to define programme developmental strategies and priorities.



Programme development strategies are clear statements of what the municipality would like to achieve.

Simply stated, once the municipality has worked out where it wants to go and what it needs to do to get there, it needs to work out how to get there. A development strategy is about finding the best way for the *municipality to meet a development programme obj*ective.



For example:

Ensure potable water is provided to every household.

The priority areas are, in essence, the spatial issues that a municipality intends to focus on in order of importance to address the needs within programmes. They may include certain areas within water delivery, electrification, sanitation and so forth. These are catered for as part of the strategic programme developments.



An example of how the programme strategies, linked to institutional strategies are to be displayed, inclusive of identifying priorities is provided in the example below:

| KPA | Programme Objective | Outcome | Strategy | KPI | Type |
|---|---|---|---|---|---|
| Basic Services | To ensure all households have access to basic water | Efficient, Effective and sustainable water supply | Development of preventative maintenance plan to ensure sustainable services are provided to communities. | # additional households supplied with basic water | Output |

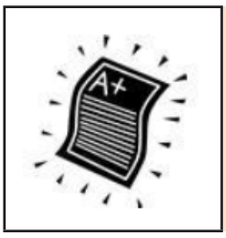
## Phase 3: Project Identification

Once the municipality has identified the best methods to achieving its programme development objectives, this information will lead to the identification of specific projects as per the Department's business plans, community needs, national priorities and own strategic intent.

During this phase the municipality needs to go back to the analysis and strategic phase to ensure it addresses the key performance indicators. Clear details for each have to be worked out in terms of:

- Who is going to benefit?
- How much is it going to cost?
- How is it going to be funded?
- How long would it take to complete?
- Who is going to manage it?

Project identification should be managed based on sound principles of project management inclusive of priority, time, scope and budget. Clear input, activities output targets must be developed and indicators worked out to measure performance as well as the outcome of individual prioritised projects. Alignment back to the strategic and development objectives as well as the priority areas is of extreme importance.



For example:

| Project | Vote | Functional Area | Process | Time | Cost |
|---|---|---|---|---|---|
| Water Project | X | Water Supply | Conduct survey to ascertain # of H/H stands that are non-compliant to basic level of service and taking cognisance of resources of required funding and manpower establish project plan to eradicate backlog within a specified period and budget / plan accordingly, incorporating in the strategic 5 year planning cycle of the IDP Project Management | 2018/01/04 – 2018/04/04 | R30 000 |

**Phase 4: Integration**

Once all prioritised projects have been identified, the municipality has to check again that they contribute to meeting the objectives outlined in Phase 2. The programmes and projects will provide an overall picture of the development plans. All the development plans must now be integrated. The municipality should also have overall strategies for issues like dealing with AIDS, poverty alleviation, employment opportunities through economic development and disaster management.

These strategies should be integrated with the overall IDP. It is also important to state in the IDP how the performance of the strategic objectives of both the financial and non-financial indicators should be monitored and reported on. The municipality needs to ensure that it has the requisite inputs to deliver on its commitment to the public. Capacity in institutional resources must exist to deliver on phase 3 and 4.

## Phase 5: Approval

The IDP is presented to the council for consideration and adoption. The council may adopt a draft for public comment before approving a finalised IDP. Through consultation with the community and other key stakeholders, the IDP process helps to define community needs, ward projects and service delivery targets.

The objectives clearly identify the developmental priorities of the municipality. Five year annual targets need to be established and the identified projects for three years must be supported in the MTREF that must be linked back to the IDP strategic objectives. Measurement holds the golden thread to integrate objectives, projects and processes to be implemented.

## 4.8.2 MTREF and Annual Budgeting

Chapter 4 of the MFMA deals in detail with the process which is required to be followed in the development and approval of annual municipal budgets. It provides local government with guidance to ensure the budgets and tariffs set by municipalities do not undermine the national economic, tax and fiscal objectives of the country. National Treasury publishes annual MFMA Budget Guidelines Circulars. It is anticipated that municipalities make every effort to comply with the legislation and related circulars. To this effect municipalities should prepare multi-year budgets, service delivery implementation plans, publish key performance targets for each vote on the budget and implement performance contracts for senior managers linked to these performance targets.

Municipalities are required by the MFMA to table an approved three-year budget. Section 26 of the MSA (2000) requires the municipality to have the IDP with a financial plan, which must include a budget projection for at least the next three years. The aim of this three-year budget or Medium Term Revenue and Expenditure Framework (MTREF) is to guide the municipality's budget formulation for the next three years. The budget framework, which is reviewed annually takes account of budget and economic realities and sets the path for service provision. The MTREF reflects detailed figures for the actual fiscal year as well as for the following two years. The following two years are indicative (estimated) amounts, which is why the framework is revised and adjusted annually.

The Medium-Term Revenue and Expenditure Framework (MTREF) is also the municipality's three-year projected budget linked to its IDP and Service Delivery and Budget Implementation Plan (SDBIP). In relation to the above Circular 45 of 2003 explains that the budget and IDP process should be combined into a single process. This approach will enhance community input, encourage debate on service delivery and local economic development, improves understanding of

community needs and provides an opportunity for feedback, accountability and responsiveness to the needs of the community.

The value of the MTREF is that it makes budget plans more predictable, can be aligned to the longer term IDP and highlights priority areas by showing whether expenditure is increasing or decreasing.

According to Section 53 of the MFMA the budget process starts with the mayor providing general political guidance over the budget process and priorities. The mayor is also responsible for guiding the preparation of the budget and coordinates the annual IDP revision. Subsequently, the Chief Financial Officer will issue instructions to the various heads of departments based on an approved long-term financial strategy. The long-term financial strategy is utilised to ensure financial affordability and sustainability over the medium to long term and are considered a key financial planning tool. This long term financial strategy is used to inform the MTREF compilation aligned to the IDP. Aspects such as the ability of the community to pay for services received, realistic revenue estimates, grants, impact of inflation, collection rates, free basic services, tariff increases, etc. impact on the compilation of the MTREF. During the budget compilation process, departments are required to do planning of all revenue and expenditure for both operating and capital budgets to ensure the effective implementation of the key performance indicators included in the IDP. Revenue and operating and capital expenditure are structured per votes as per the SDBIP.

In the integration phase of the IDP the analysis needs to be done if the budget supports the indicators targets through the prioritisation process of projects and line item expenditure. If it does not meet the indicators targets, the strategies, indicators and projects need to be reviewed. Ultimately the purpose of the MTREF and annual budget (inclusive of capital and operational budgets) is to ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate through the measurement system.

### 4.8.3 SDBIP and Lower SDBIP

The SDBIP is a ‘contract’ between the delivery on the strategic objectives and action which the municipality undertakes. The SDBIP includes quarterly targets for the indicators which the municipality will undertake. The community should be engaged through the ward committee system to evaluate the service delivery standards and performance indicators of the SDBIP which is managed by the municipality. The IDP informs the SDBIP and provides the monitoring and different responsibilities and targets that each department must fulfil in order to meet service delivery.



SDBIP targets are reported on in monthly, quarterly, mid-year and annual and five year term targets by the municipal departments. These reports are reviewed “in line with the reporting frequency monthly or quarterly”annually which indicates the effectiveness of the targets developed together by the municipality and the community.

Linking the IDP and SDBIP with the budget plans, requires the combination of many different processes which will ensure effective implementation of the strategic and programme developmental objectives. To take the IDP forward, into the SDBIP as well as the annual report, the municipality needs to produce operational (business) plans and processes, capital plans, annual budgets and expenditure against these. The SDBIP breaks down the IDP annual targets in quarterly departmental targets.

Section 53 of the MFMA states that the mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan.

According to Circular 13 (2005), the SDBIP is essentially the management and implementation tool which sets in-year information, such as quarterly service delivery and monthly budget targets, and links each service delivery output to the budget of the municipality, thus providing credible management information and a detailed plan for how the municipality will provide services and the inputs and financial resources to be used.

The SDBIP indicates the responsibilities and outputs for each of the senior managers in the top management team, the inputs to be used, and the time deadlines for each output. The SDBIP will therefore determine the performance plans of the municipal manager and senior managers, including the outputs and deadlines for which they will be held responsible.

The SDBIP should also provide all expenditure information (for capital projects and services) per municipal ward, so that each output can be broken down per ward, where this is possible, to support ward councillors in service delivery information.

The SDBIP is also a vital monitoring tool for the mayor and council to monitor in-year performance of the municipal manager and for the municipal manager to monitor the performance of all managers in the municipality within a financial year. This enables the mayor and municipal manager to be pro-active and take remedial steps in the event of poor performance. The SDBIP aims to ensure that managers are problem-solvers, who routinely look out for unanticipated problems and resolve them as soon as possible. The SDBIP also enables the council to monitor the performance of the municipality against quarterly targets on service delivery.

The SDBIP is a layered plan with the top layer of the plan dealing with consolidated service delivery targets and in-year deadlines linked to the IDP. The top layer includes information on the revenue to be collected by source and operational and capital expenditure by vote projected for each month as well as service delivery targets and performance indicators for each quarter. The SDBIP must also provide a mechanism to project and monitor inputs, outputs and outcomes for each senior manager (department) by vote.

The lower layer starts to become more operational and provides more detail on delivery processes. These outputs are in return broken down into even smaller outputs which are linked to middle and junior level managers. Much of this level of the SDIBP will not be made public, nor tabled in council and is referred to as the Lower SDBIP.



The Lower SDBIP is used by senior management to hold middle and junior management responsible for various components of the SDBIP. Only the highest layer of information of the SDBIP is made public or tabled in council.

Such high-level information should include ward information, particularly for key expenditure items on capital projects and the meeting of service delivery targets.

Whilst the SDBIP is largely a one-year detailed plan, it should include a three-year capital plan. Municipalities are encouraged to also include three-year (by quarter) service delivery targets, to the extent to which this is possible and feasible. The municipality may also want to include past and current year information, in order to facilitate comparisons and outline the remedial steps it is taking in terms of past problems.

Within the context of planning/review, performance measurement cannot be done haphazardly or in isolation. It must form part of the overall governance of the municipality to realise the maximum benefit from the measurement. Measurement therefore forms part of the compilation of indicators for the IDP, filtering into the annual budget to ensure that sufficient financial resources are available to achieve set outcomes. It is incorporated into the SDBIP and lower SDBIP to ensure that outputs are measurable against targets and baselines.

**Activity 5b**

| | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 30 minutes |
| Activity Requirements | Explain the various components of a performance management system, giving details of the practical activities that must be implemented at the municipality.<br><br>**Performance Planning**<br>• (include IDP, SDBIP, Budget, Performance Agreements, Project plans, etc) |

### 4.8.4 Monitoring



Monitoring is the process of data management that includes amongst other collection, gathering, storing and management of information. It includes scoring through assessment.

Performance measurement is essentially the process of analysing the data provided by the monitoring system in order to assess performance.




Monitoring is the key to any successful performance management system because it provides information that can be compared to set targets to determine the current performance state.

### Records Management

To monitor progress in terms of the achievement of set outcomes, monitoring plays a crucial role in data assessment on the various set of indicators that contributes to the specific outcome(s) in. Effective monitoring can only take place if **records** of performance, targets, outputs and inputs are available and accessible. The implementation of a records management process is therefore imperative to ensure the availability and accessibility of required data and documents.



A record can be either a tangible object or digital information which has value to an organisation.




Examples of records in organisations may include annual reports, individual performance plans, office documents, project documents, contracts, databases and e-mails.

In order to ensure that records are available for assessment to determine the current state of performance within an organisation, data must be managed.



Data management can be described as the process of managing data as a resource that is valuable to an organisation. It involves the development of data architectures, practices and procedures to deal with data and the effective management thereof.

Data management refers to the collection and capture of data according to prescribed processes.

These processes should be monitored to ensure successful implementation of strategic intent and operational strategies. Security is imperative to ensure that the information contained in records is valid and reliable.

Once records have been safeguarded for review, the process of assessment must commence to determine how well a municipality is conducting its affairs based on its set outcomes. Assessment refers to the measurement of data by

means of a scoring process. The assessment process is thus the gathering of the information against targets to track the progress of delivery against the key objectives and strategies.

## Performance scoring

Performance is assessed against the achievement or non-achievement of targets. If a situation of non-performance and non-compliance against performance targets are identified, reasons should be given to explain the occurrence. When targets are set, a score or variance is applied and performance should be easy to recognise. A number of steps can be followed to ensure effective assessment within the performance management framework. These include:

| | |
|---|---|
| Scoring: | Different scoring techniques and algorithms exist world-wide to be used in assessments. Some popular algorithms include:<br>• Taking measures of actual value and placing it on a linear scale between best and worst values<br>• Scaling values based on target and intervention values<br>• Calculating the variance between actual performance and target<br><br>COGTA has depicted a five point scale (1-5) where three (3) indicates that target has been met. It has produced a performance calculator whereby scores 1-5 are converted into a percentage of performance that can be used to calculate bonuses from. Scoring allows for quick and easy assessment of performance, especially where different scores are colour-coded or accompanied by icons of “smiley-faces” to indicate the level of performance.<br><br>This type of assessment acts as early warning indication of under-performance. Importantly, though is that scoring of the organisational system allows for performance improvement through decision-making and management. |
| Data Analysis: | The term ‘*analysis*’ refers to a process where the municipality - after measuring its own performance - analyse whether it is achieving the objectives and targets it set for itself. Analysis of performance requires of municipalities to look at inputs (resources, financial perspective), outputs (results, service delivery perspective) and outcomes (impact, customer satisfaction, growth, quality of life) to determine the impact made on service delivery to the community. A good performance management system is able to pull all information hierarchical up to show the wellness of the organisation in one view. |
| Data Validation: | A municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal auditing processes. The municipality’s performance audits will include assessments of the following:<br>• The functionality of the municipality’s performance management system<br>• Whether the municipality’s performance systems complies with relevant legislation<br>• The extent to which the municipality’s performance measurements are reliable in measuring performance of municipalities on the set indicators.<br><br>In order for performance data to be validated, a system of compiling a Portfolio of Evidence is necessary. Such evidence will provide the performance management system with credibility. This evidence can be used during the auditing process as well as during individual performance assessments. The evidence should be kept up to date at all times and be easily accessible.<br><br>The performance achievements which have been assessed through the scoring system will be subjected to assessment by the Internal Audit department using the method of a random selection of samples. Scores allocated to KPI’s and projects is assessed in terms of appropriateness and verified against the relevant evidence to support the achievements. Targets should be realistic and achievable and projects will be evaluated to ensure that resources have been acquired economically and are utilised efficiently and effectively. |

| Activity 5c | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 10 minutes |
| Activity Requirements | Explain the various components of a performance management system, giving details of the practical activities that must be implemented at the municipality.<br><br>**Performance Monitoring**<br>• (monitoring system, addressing poor performance, use of SDBIP, budgets, best practices, etc) |

### 4.8.5 Reporting

The process of reporting requires that information is obtained pertaining to the priorities of the municipality, its performance objectives, indicators, targets, measurements and analysis, and presents it in a simple yet accessible format to relevant stakeholders. Within the municipal environment the SDBIP provides the basis for reporting on organisational performance compared to set targets and indicators.

Stakeholders are becoming increasingly interested in how well municipalities are performing. The emphasis is shifting from narrow financial reporting to more comprehensive reporting on organisational performance in terms of achieving set objectives.




The compilation of **performance reports** is management's means of communicating to the organisation's stakeholders on the economic and efficient utilisation of available resources as well as the effective performance of operational functions.

To ensure that municipalities are able to provide feedback on their performance based on the measurement of outputs against outcomes, it is essential to establish a framework for reporting performance in a municipality. The purpose of this framework is to determine the parameters that will govern the methodology of the reporting system. These parameters will include such matters as formatting of the reporting template, content, timeframes and supporting documentation to supplement input submissions. To ensure compliance, this framework must be discussed and communicated at all levels within the organisation.

The format of the reporting template(s) is the foundation on which the performance reporting system's credibility stands. Specific criteria should be included in the template to ensure that the departmental scorecard is relevant and specific to the needs of the municipality.



The following information is to be supplied in reports aimed at providing feedback on the performance of a municipality:

- Specifies the period of reporting under review
- Specifies the objectives
- Specifies the indicators that were measured
- Specifies agreed targets relevant to the period which the report covers
- Includes relevant baseline values
- Provide detail on measures current performance over the period for which it is reporting
- Specifies the source of measurement (Portfolio of Evidence)
- Specifies reason for under performance
- Suggests corrective action if necessary

Performance reporting should answer the question: *What do I need to know to make sure things get better?*

Key decision-makers need to ensure that they are receiving the right information and that they have the required skills to understand and make use of it. Importantly, those who receive reports need to ask questions about the information they receive. Questions about performance need to be robust and answers need to be honest. The atmosphere should be supportive, with an emphasis on looking for solutions rather than apportioning blame. This productive atmosphere depends less on measurement and more on people and culture.




The frequency of reporting on municipal performance is already discussed and is linked to the timeous completion of the annual report.

### 4.8.6 Evaluation

Evaluation is making sense of what is happening. Analysing and evaluating the meaning of the information and applying the understanding to improve delivery and its impact on the people in the municipality.

Three different levels of oversight are required, i.e. administrative oversight, political oversight, and independent financial oversight. The Oversight Committee, Mayoral Committee and Performance Audit Committee play a key role in evaluating the success of the municipality in terms of results or non-results.

Political Oversight evaluation occurs at the end of a financial year with the submission of the Annual report.



**Annual reports** are the key reporting instruments for the Municipality to be held accountable against the performance targets and budgets outlined in its strategic plan. Annual reports are required to contain information on service delivery and reasons for under performance, financial statements and an audit report.

Evaluation is addressed through the Portfolio and Oversight Committee functions. Municipal Councils are vested with the responsibility to oversee the performance of their respective municipalities, as required by the Constitution, the MFMA and MSA. This oversight responsibility of council is particularly important for the process of considering Annual reports.



According to Section 129 of the MFMA, Council needs to adopt an oversight report containing the council's comments on the annual report. Under Sections 33 and 79 of the Municipal Structures Act (1998) the Oversight Committee takes responsibility for the detailed analysis of the annual report and the drafting of the oversight report.

In order to approve the Annual report without reservations, Council should be able to agree that the information contained in the report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon. Approval means that the executive and administration have discharged in full, their accountability for decisions and actions and that their performance meets the criteria set by performance objectives and measures and is also acceptable to the community.




Evaluation of performance requires of municipalities to look at the following to determine the impact made on service delivery to the community:

- Inputs (resources, financial perspective)
- Outputs (results, service delivery perspective)
- Outcomes (impact, customer satisfaction, growth, quality of life).

In relation to the above, the municipal manager is directly responsible for the administrative oversight of the IDP, SDBIP and budget. The municipal manager is responsible for ensuring, through evaluation of management, that the municipality establishes and maintains internal control to provide reasonable assurance with regard to the effectiveness and efficiency of operations and compliance with applicable legislation. The purpose of **administrative oversight** is to ensure that targets as set in the IDP and SDBIP are reached within the budget and time frames assigned to it.

Audits should ensure that reported performance information is accurate, valid and reliable. The goal of the **independent** audit (oversight) of the annual financial statements is to assure councillors, officials, the public and other users of a Municipality's financial information, that the financial statements are fairly presented. The auditor's opinion on the fairness of the presentation of a set of financial statements is critical to discharging public accountability in a transparent manner. Auditing serves as a procedure which verifies documents, accounts for assets and report on history to order to improve on current implementation actions. It is done to improve accountability in the use of public money and to streamline and improve on service delivery in the municipality. The AG submits audit reports to any legislature that has a direct interest in the audit and any other authority prescribed by national legislation.

From time to time, municipalities may be required to become involved in **impact evaluations**.



The impact evaluation process refers to conducting evaluations to determine the impact of outcomes achieved within the municipality. The intent of impact evaluations is to determine the real benefits to the community derived from the interventions implemented.

In conclusion, evaluation should never be seen as a stand-alone process but rather as a part of an integrated tool with monitoring that should be used to determine whether the structures within the organisation is achieving the outcomes included in the IDP.

Measurement holds the key to the success of the programmes, processes and projects. When performance is not measured, gaps cannot be identified and possible corrective action cannot be implemented to ensure the achievement of outputs and outcomes.

Regular measurement of progress toward achieving specified outcomes is a vital component of any effort of manage-for-results. *Managing-for-results* is the process that focuses on maximising benefits and minimising negative consequences on the delivery of programmes, projects and processes. Effective and efficient performance measurement therefore encompasses the regular measurement of the results (outcomes and outputs) and efficiency of programmes/project processes (inputs, outputs).

## MPAT Evaluation Tool

The Management Performance Assessment Tool (MPAT) is one of several initiatives to improve the performance and service delivery of national and provincial departments. MPAT is a structured, evidence-based approach to the assessment of management practices. Underpinning MPAT is the logic that improved management practices is key to improving government performance and service delivery.

## Reason for adoption

- Improved management practices key to improved service delivery
- Weak administration (financial management, supply chain management, asset management, human resource management, planning, monitoring, facilities management) is a recurring theme across the 12 priorities and is leading to poor service delivery.
- Develop a culture of continuous improvement and sharing of good practice
- Link institutional performance to individual assessment of Head of Department

## How to implement the tool

- Assessment is against 31 management standards in 17 management areas.
- Standards based on legislation and regulations
- Standards developed collaboratively (with National Treasury, DPSA, Office of the Public Service Commission, Office of the AG and Offices of the Premiers)

**Activity 5d**

| | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 15 minutes |
| Activity Requirements | Explain the various components of a performance management system, giving details of the practical activities that must be implemented at the municipality.<br><br>**Performance Evaluation**<br>• (include evaluation tools, reports, scorecards, performance agreements, etc)<br><br>**Performance Reporting**<br>(include monthly, quarterly, ½ yearly reports, project reports, individual performance reports, programme reports, etc) |

## 4.8.7 External Audit as an evaluation mechanism

Municipalities are required to disclose a report in their annual report on the extent to which pre-determined performance targets have been achieved. These pre-determined performance targets are required in terms of the MSA.

The AG will audit the performance information as part of the regularity audit process and issue a separate report on the performance information.

It should be noted that this requirement does not only apply to local government; all public sector entities that receive public monies or receive money for public purposes will have to include performance information that will be audited as part of the regulatory audit process.

Based on the public audit manual, the AG is phasing in performance information audits. General notice no 808 issued in government gazette no 28954 of 23 June 2006 states that “until further information is published in this respect no

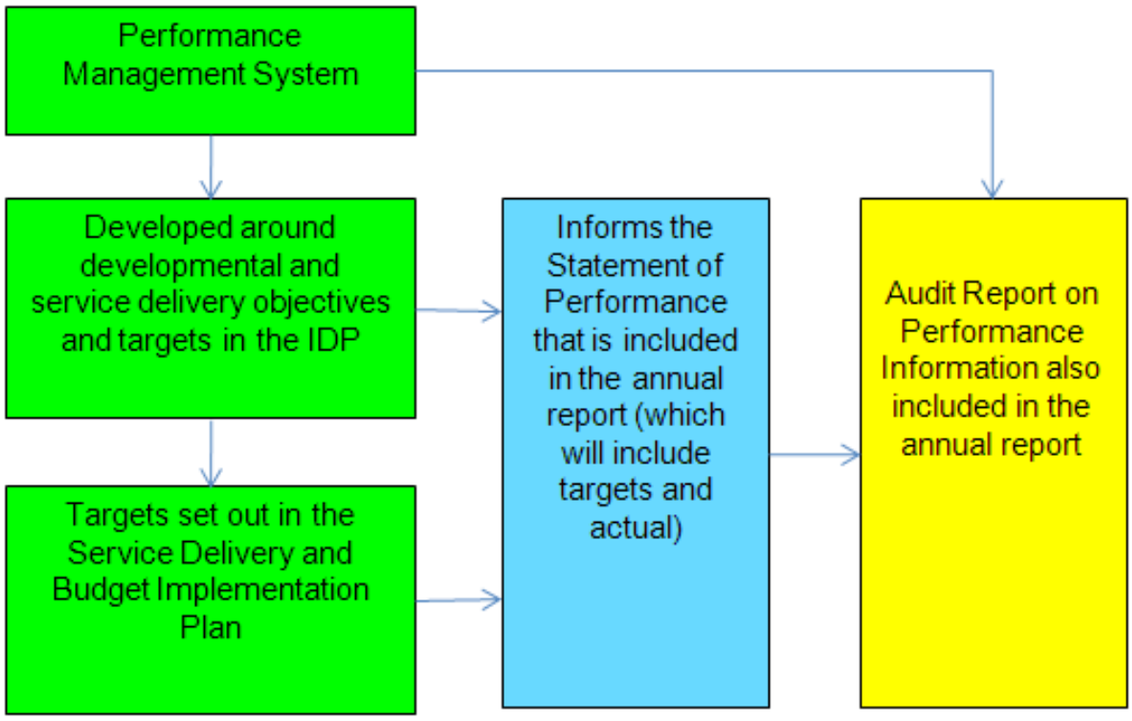
separate opinion on performance against predetermined objectives should be included in the audit reports. Conclusions in this regard will be reached as part of the financial audit process.

Reporting will be in respect of material shortcomings in the process of reporting against predetermined objectives that may come to the attention of the auditor during the audit and that may impact on the public interest.

The figure below shows how the performance information is prepared and the linkage with the audit of performance report.

Flowchart on the auditing of performance information.

***Figure 10 Flowchart on the auditing of performance information***




**Different Categories of Performance Audits**

Based on the AG's public audit manual, there are three categories of performance audits. These are outlined in the following table:

**Different types of performance audits:**

| Category | Explanation | Implications for Municipalities |
|---|---|---|
| 1 | A category 1 performance audit is conducted by means of a value for money approach. The principle of integrated auditing comprises of integrating the value-for-money (VM) assertion into the regularity audit process. The auditing of economic procurement and efficient utilisation of resources is therefore done during systems evaluation and transaction testing as part of the routine audit process.<br><br>Section 20(3) of the Public Audit Amendment Act provides that the AG may report on whether the [municipality's] resources were procured economically and utilised efficiently and effectively. | This is not a specialised performance audit but is done as part of the regularity audit process. External audit may detect the uneconomic, inefficient or ineffective use of resources during the regularity audit and report on it in the regularity audit process. |

| Category | Explanation | Implications for Municipalities |
|---|---|---|
| 2 | A category 2 performance audit is defined as a performance audit conducted according to the guideline for the planning, execution and reporting on of performance audits conducted in the public sector, but is not conducted on one of the approved performance auditing themes. The focus area will be determined during the planning phase of the audit. | When external audit is undertaking the planning of a regularity audit, the need for a performance audit may be identified that is specific to the municipality subject to a regulatory audit. A performance audit will be undertaken on this specific focal area. This will typically be done as a separate performance audit and not done as part of the regularity audit. |
| 3 | A category 3 performance audit is defined as a performance audit conducted according to the guideline for the planning execution and reporting on of performance audits conducted in the public sector, but is conducted on one of the transversal themes. | The AG identifies transversal themes that are typically subject to performance audits. The AG will select a theme and undertake a performance audit at a pre-selected municipality in terms of the procedural manual that has been developed for performance audits. |

**Activity 5e**

| | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 10 minutes |
| Activity Requirements | Explain the various components of a performance management system, giving details of the practical activities that must be implemented at the municipality.<br><br>**Performance Auditing**<br><br>• (include role of internal audit, management, external audit, audit committee, Council) |

## 4.9 Conclusion

Planning for the development and implementation of performance management within a municipality requires that processes of programme and project planning in the long term (IDP), budgeting and operational planning (SDBIP) to be integrated. In planning for performance management, a municipality must develop and adopt KPIs and set targets within the prescribed KPAs. The municipality must set goals and objectives. The setting of goals and objectives requires implementation of key practices in planning.

Key performance indicators include input, output, outcome, composite and baseline indicators. Methodologies related to performance management include situational analysis and theory of change, the balanced scorecard, outcomes measurement alignment – the logic model as well as performance-based budgeting.

External audit mechanisms are in place to evaluate the process. The AG conducts an audit of performance information as part of the regularity audit and may perform other audits such as performance audits.

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# Unit 5: Performance Management Agreements in Local Government

## Learning Outcomes

On completion of this unit, you will be able to:

- Describe the processes applicable to developing performance agreements based on relevant legislation.
- Adapt disciplinary procedures to include performance agreements.

## Key Concepts

Performance agreements, performance contracts, Section 57 managers, evaluation, disciplinary procedures, core competency requirements for employees.

## 5.1 Introduction

In terms of Section 19 of the Municipal Structures Act, Sections 39, 40 and 41 of the MSA, as amended, and Regulation 7 (2) of the Municipal Planning and Performance Management Regulations, a Local Government Structure shall develop a PMS. Chapter 4 of the MSA, 2000 as amended states that municipalities must have administrations so as to fulfil their constitutional mandate in terms of effective service delivery, sustainable services, promotion of social and economic development and promotion of a safe and healthy environment. When new municipalities came into existence on 5 December 2000, they were much larger and usually consisted of two or more prior municipalities, each with their own administration. Due to the differences between these administrations, they could not simply be amalgamated but had to be re-engineered. One of the aspects that had to be re-designed was the new roles and responsibilities of municipal staff.

To ensure that new roles and responsibilities are effectively implemented within a municipal structure, a system of performance management was developed, governed by various pieces of legislation. Such legislation aimed at ensuring alignment between organisational and employee performance to achieve the vision and goals of municipalities and ensure effective, efficient and economic service delivery.

The aim of this Unit is to introduce the relevant legislation focusing on employee performance management to you and give you a description of how this is to be practically applied. The Unit will conclude with a section on the disciplinary process aimed at ensuring continuous performance achievements.

## 5.2 Legislation Governing Employee Performance Management



The Municipal Planning and Performance Management Regulations (2001) stipulate that "a municipality's performance management-system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role-players".

Further, the Municipal Performance Regulations for municipal managers and managers directly accountable to municipal managers (2006 as amended 2011, 2014), sets out how the performance of Section 56 staff will be uniformly directed, monitored and improved.

The regulations address both the employment contract and performance agreement of municipal managers and managers directly accountable to municipal managers. The regulations (see sub-regulation 4(4)(a)) further provide that employment in terms of an employment contract must be subject to the signing of a separate performance agreement

within 90 calendar days after assumption of duty and annually within one month after the commencement of the financial year. It further provides a methodology for the performance management system as well as criteria for performance bonus payments. The regulations also provide an approach for addressing under-performance, should this occur. This said, employee performance management systems applied within municipalities are centrally informed by legislation, policy and regulations. The first of these pieces of legislation is the **Labour Relations Act No 66 of 1995** that provides a Code of Good Practice. Key to this Code is the statement that employers and employees should treat one another with mutual respect with a premium placed on both employment justice and the efficient operation of business. While employees should be protected from arbitrary action, employers are entitled to satisfactory conduct and work performance from their employees.

The second piece of important documentation is the **White Paper on New Employment Policy in the Public Service of 1997.** This White Paper laid the foundation for the framework of managing performance in the public service. According to the White Paper, managing performance is a key human resource management tool to be used to ensure that employees are aware of what is expected of them; that the performance of an employee in terms of delivery can be tracked; that poor performance is identified and improved; and that good performance is recognised and rewarded.

The third piece of important legislation is the MSA of (2000). Section 38 of the Act states, that a municipal performance management system should promote a culture of performance management among its political structures, office bearers, councillors and administration.

Sections 38 and 39 of the MSA (2000) require municipalities to develop and implement a PMS. Organisational and employee performance management should therefore be aligned to enable individuals to work across strategic, tactical and operational levels to streamline actions and ensure optimal performance. For both organisational and employee performance measurement, four distinct phases should be followed in each annual cycle, namely:

- planning/review,
- monitoring,
- reporting and
- evaluation.

In this way organisational performance management and employee performance management become integrated processes within the performance management system, with performance improvement or sustained performance as the continuous outcome. Section 40 of the MSA (2000) states that a municipality must establish mechanisms to monitor and review its performance management system.



This system should be developed by the executive committee or executive mayor or be delegated to the municipal manager.




**Core components** to be included in the performance management system are:

- A set of appropriate key performance indicators (KPIs) as a yardstick for measuring performance, including outcomes and impact with regard to the municipality's development priorities and objectives as set out in its IDP;
- A set of measurable performance targets with regard to each of the development priorities and objectives;
- Measures with which to monitor and review performance at least once a year;
- Steps to improve performance with regards to those development priorities and objectives that was not achieved; and
- A process of regular reporting to the council, political structures, political office bearers, official and other organs of state.

Section 67(1)(d) of Chapter 7 of the MSA provides for the development and adoption of appropriate systems and procedures which amongst others ensure the monitoring, measuring and evaluation of the performance of staff. It states

that a municipality, in accordance with the Employment Equity Act of 1998, must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration including, inter alia, the monitoring, measuring and evaluation of performance of staff.

Section 68(1) of the MSA (2000) stipulates that a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercises its powers in an economical, effective, efficient and accountable way and for this purpose must comply with the Skills Development Act 81 of 1998 and the Skills Development Levies Act No 28 of 1999.

In relation to the MSA, the **Local Government Municipal Systems Amendment Act 2011)** makes provision for the appointment of municipal managers and managers directly accountable to municipal managers. The amendments govern the selection process entered into filling vacant positions of Section 56 employees, establishing pre-requisite competency and skills criteria, the abolishment of fixed-term contracts and the exclusion from holding any form of political office in a political party. It regulates employment of employees who have been dismissed or are subject to a disciplinary process and regulate duties, remuneration, benefits and other conditions of employment for municipal managers and managers directly accountable to municipal managers.

The next piece of legislation that regulates employee performance management is the **MFMA (2003).** Section 53 (1) of the MFMA states that it is the responsibility of the Mayor to ensure that the annual performance agreements as required in terms of S57 (1) (b) of the MSA for the municipal manager and all senior managers are adopted. The mayor must ensure that these performance agreements are made public no later than 14 days after the approval of the municipality's SDBIP. Copies of such performance agreements must be submitted to the Council and the MEC for local government in the Province (Section 57 (3) (b)).

The **Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager (2006)** as amended provides information on how the performance of municipal managers will be uniformly directed, monitored and improved. The Regulations address both the employment contract of a municipal manager and managers directly accountable to the municipal manager as well as the performance agreements that are entered into between respective municipalities, municipal managers and managers directly accountable to municipal managers. The regulations include the following:

- Chapter 2 deals with the requirements and provisions of the employment contracts;
- Chapter 3 deals with the performance agreements, which must include prescribed Key Performance Areas and Core Competency Requirements.
- Chapter 4 deals with the content of a Job Description for municipal managers.

The aim of **Regulation 493 of 2007: Municipal Regulations on Minimum Competency Levels** is to – in terms of Section 168 of the MFMA – compile a set of general and minimum competency levels for accounting officers, chief financial officers, senior managers of municipalities and municipal entities, other financial officials and supply chain management officials. It provides guidelines on the skills, experience and capacity required to fulfil the responsibilities, functions and powers assigned to the above identified officials in terms of the MFMA. Requirements related to highest educational qualification, work related experience, core managerial and occupational competencies and financial and supply chain management competence areas are provided. Information on competency assessment, reporting on and monitoring of competency levels and attainment of competency levels to be included in performance agreements are also provided.

## 5.3 Performance Management System

The aim of the municipal employee performance management system is to emphasise the planning and measuring of employee performance and ensure performance management alignment between various levels of employment. If all employees achieve their performance objectives, which are linked to departmental functional areas, which in turn are linked to the performance objectives in the SDBIP, the municipality will achieve its organisational performance indicators related to economic growth and planning; social, environmental sustainability and infrastructure development; and good governance and administration, linked to the ultimate outcomes and impact to be achieved in the IDP and nationally.

The main objectives of an employee performance management system are to maintain mutual respect between managers and employees, and add value to day-to-day communication about performance and development issues. The development of an employee performance management system is based on the principle of simplicity; to understand and link organisational KPI's to individual KPI's, appraising behaviour and promote positive constructive feedback.

To be effective, the employee performance management system policy should specify the why, who, what, when and how of employee performance management, coupled with a well-designed change management plan to get the buy-in from all employees. This communication plan requires mutual understanding of work responsibilities, priorities and performance expectations. In order to ensure effective communication, major duties and responsibilities of jobs should be defined and clarified.

In line with organisational performance management processes, planning of employee performance management is imperative to ensure integration. The process of planning relates to the establishment of performance contracts, agreements and plans to be used to measure individual employee performance.




It is important to differentiate between the employee performance management planning phase for municipal managers and managers directly accountable to the municipal manager and that of other permanent employees.

The reason for this differentiation relates to the requirements of Regulation 805 of 2006 that regulates performance management planning for municipal managers and managers accountable to the municipal manager. The description of the planning process for each category of employee will therefore be discussed separately.

Monitoring is imperative to ensure successful implementation of the employee performance management system. Continuous monitoring ensures the achievement of objectives and targets as set out in the planning phase. Monitoring involves more than reviewing the final outcome; it encompasses a continuous review of the level and standard of activities achieved by an employee. The monitoring of employees, irrespective of level and statue should be conducted at least on a quarterly basis using the employee assessment tool to review achievements.



The purpose of reporting is to keep official records of the assessment of employees. Information about employee performance are usually summarised and included in a chapter of the **Annual Report** where feedback are provided on the overall and employee performance of the municipality. **Reports** on employee performance are also used to identify good performance and manage poor performance. It is also important that the employee score should be consistent with what the organisation has achieved.

Evaluation involves assessing the strengths and weaknesses of certain processes. Since there is no single, “best” approach to evaluation which can be used in all situations, it is important to decide on the purpose of the evaluation, the questions you want to answer, and the methods to be used to obtain valid information. Evaluation of the employee performance management process is essential to ensure that corrective measures are identified and put in place to improve areas of non-performance. In other words, the intention of evaluation is to critically evaluate past actions, build on areas of value, eliminate non value adding processes, and use the information gained to make informed decisions to realign organisational objectives and actions. Without continuous evaluation there can be no improvement and development.

More detail on these processes and how they apply to the municipal manager and managers directly accountable to the municipal manager and other employees will be discussed in the following sections.

## 5.4 The Performance Management of the Municipal Manager and Managers Directly Accountable to the Municipal Manager

### 5.4.1 Planning

Regulation 805 of 2006 provides the following information in relation to the planning of the performance of municipal managers and manager directly accountable to the municipal manager:

| | |
|---|---|
| Performance Contracts: | According to Section 3 of Regulation 805, municipal managers and managers reporting to municipal managers should sign an employment contract. This contract is fixed for a specific term of employment not exceeding a period ending two years after the election of the next council of the municipality.<br><br>The contract must provide for a commencement date as well as a termination date. The contract should make provision for the cancellation of the contract in case of non-performance compliance or due to medical incapacity.<br><br>All contracts are subject to the terms of conditions stipulated in Section 55 of the MSA (2000) as well as all related stipulations within the MFMA (2003). In addition to the above, employment in terms of the employment contract is subject to:<br>• the signing of a separate performance agreement within ninety (90) calendar days after assumption of duty and annually within one month after the commencement of the new financial year;<br>• the submission of original or certified copies of academic and professional qualifications and proof of previous employment;<br>• the signing of the code of conduct as stipulated in Schedule 2 of the MSA; and<br>• the disclosure of all financial interest on the date of assumption of duty and annually within one month after commencement of the financial year. |
| Performance Agreements: | There should be an agreement between the individual employee and his or her Manager on the targets set out in the Performance Management System.<br><br>According to Sections 23(2) and 25(1)(2) of Regulation 805, the performance agreement for the municipal manager and managers accountable to the municipal manager must include performance objectives and targets appropriate to their respective area of responsibility and aligned to the SDBIP.<br><br>The performance objectives and targets must be achieved by the manager within the set timeframe. The key objectives describe the main tasks to be done. In collaboration with these objectives, the KPIs should provide details of the evidence that must be provided to show that a key objective / indicator has been achieved. A Section 56 manager's performance will be measured in terms of the contribution she/he made to achieve the goals and strategies of the IDP / SDBIP of a municipality.<br><br>These objectives and targets must be identified, discussed and agreed with each individual employee. The performance objectives and targets shall include key performance areas, programmes; key performance indicators, baseline and targets and weightings. The performance agreements should include time frames within which those performance indicators and targets are to be achieved.<br><br>The criteria upon which the performance of the employee must be assessed consist of two components, both of which must be contained in the performance agreement and carries a weighting of 80/20. Eighty percent is to be allocated to the Key Performance Areas (KPAs) and 20% to the Core Competency Requirements (CCRs). Each area of assessment will be weighted and will contribute a specific part to the total score. The assessment will be based on his/her performance in terms of outputs/outcomes identified as per the performance plan linked to the KPAs, linked to the organisational achievements.<br><br>Performance Agreements are to be used as the basis for assessing whether the employee has met the performance expectations applicable to his/her job. The Performance Agreement should therefore include detail on monitoring and measurement requirements against set targeted outputs. Annexure to the performance agreement should include a Performance Plan as well as a Personal Development Plan.<br><br>An example of a Performance Agreement is provided as an **Annexure**.<br><br>The contents of the performance agreement must be made available to the public by the municipal manager in accordance with Section 75 of the MFMA and Section 57 of the MSA. The employment contract and the performance agreements must be submitted by the municipal manager to the MEC (Section 4(c) of Regulation 805) responsible for local government in the relevant province as well as the national minister responsible for local government within fourteen (14) days after concluding the employment contract and the performance agreement. |

| | |
|---|---|
| Performance Plans and Standards: | Specific accountabilities and standards as set out in the Performance Plan must form part of the annexure to the Performance Agreement. The Performance Plan (PP) sets out the key performance areas, performance objectives, indicators and targets that must be achieved by the employee as well as the time frames within which those indicators must be achieved. The key performance areas, programmes, performance objectives, indicators and targets are based on the SDBIP, IDP, and budget.<br><br>Key indicators describe the main tasks to be completed to provide detail of the evidence that must be provided to show the objectives have been achieved. Targeted dates describe the timeframe in which work must be achieved while weightings show the relative importance of the key performance areas and programmes to each other. The Performance Plan will also contain supporting notes to clarify steps, terminology, procedure and responsibility. Programme developmental objectives that will be mandatory for all Managerial/Supervisory levels shall refer back to the programmes captured in the SDBIP.<br><br>According to Section 26 of Regulation 805, the employer must consult the employee about specific performance standards that is included in the performance management system and the employee must agree to participate in the performance management system that the employer introduces for the municipality. The Performance Plan should clearly specify objectives and defined quarterly targets to be attained by the individual employee.<br><br>The various performance targets and standards (outputs and outcomes) should be agreed on and captured in each Individual Performance Plan. This document must be concluded within a reasonable time (14 days after the approval of the SDBIP) after a person has been appointed and thereafter within one month after the beginning of the financial year of the municipality. |
| Personal Development Plan: | Regulation 805 of 2006 clearly indicates that a Personal Development Plan must be developed for every Section 56 Manager and must serve as an Annexure to the annual Performance Agreement. The Personal Development Plan (PDP) addresses developmental gaps. These gaps should be catered for via formal and informal training, coaching and mentoring.<br><br>The identification of projects that must be implemented as part of the IDP process should guide individual employees to determine specific training or skills needed for effective implementation. Based on these need specific training development strategies must be discussed, agreed upon and captured onto the PDP. All Development Plans should be formulated, finalised and attached to Performance Agreements as an Annexure. The PDPs must be concluded within two weeks between the municipal manager and the executive mayor and between the municipal manager and the section 56 managers. |

As is the case with organisational performance management, a mid-year review should take place against adjustments to the budget and SDBIP. The adjustment takes place after the mid-year review and approval of adjustments by Council. Once adjusted, the performance plans of the municipal manager, managers accountable to the municipal manager should be reviewed and adapted according to the changes made to the SDBIP. This adjustment is required to ensure that employee performance plans remain aligned with the outcomes and targets set for the municipality. As is the case at the planning phase of the performance management process, these adjusted or reviewed performance plans should be compiled through collaboration and all parties involved should agree and sign the final agreement.

Regulation 805 of 2006 states that any disputes about the nature of the employee's performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/or salary increments in the agreement must be mediated by the MEC for Local Government if it is the municipal manager and in the case of managers directly accountable to the municipal manager, the executive mayor or mayor. Such disputes must be resolved within 30 days of receipt of a formal dispute from the employee.

### 5.4.2 Monitoring through Assessments

Monitoring requires that assessment of employee performance takes place. Performance assessment is to be conducted within each quarter of the financial year with the first and third quarters being verbal and informal if performance is satisfactory.

The annual performance evaluation of the municipal manager and managers directly accountable to the municipal manager must involve the following:

- Assessment of the achievement of each KPA.

- An indicative rating on the five-point scale for each KPA.
- Assessment of each agreed upon CCR according to the extent to which the standard has been met.
- An indicative rating on the five-point scale for each CCR.

An overall rating is calculated by using the applicable 80/20 rating. Such a rating represents the outcome of the performance assessment.




The performance assessments conducted during the second and fourth quarters should be formal. Structured discussions should be conducted to:

- Agree on actual results achieved
- Agree on ratings and overall score achieved
- Agree on corrective action to be taken
- Discuss circumstances and constraints where applicable
- Agree on training and development requirements

This phase involves jointly assessing actual performance against expectations. According to Section 28 of the Regulation 805, each quarter, records must be kept of the mid-year assessment and annual evaluation meetings. Reviews in the first and third quarter may be verbal if performance is satisfactory.

The second quarter assessment will be conducted to assess the relevance of the objectives as well as the employee's performance against the objectives and Key Performance Areas. The second-quarter performance score should be used accumulatively to determine the link to the annual achievement. A formal final evaluation shall be conducted after the end of the financial year. The final performance score will be used to determine the value of monetary or non-monetary rewards.

For the purposes of evaluating the annual performance of the **municipal manager** an evaluation panel consisting of the following people should be established:

- 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
- Mayor and/or municipal manager from another municipality

For the purposes of evaluating the annual performance of the managers directly accountable to the municipal manager, an evaluation panel consisting of the following people must be established:

- 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 a plenary type municipality, another member of council; and
- Municipal Manager from another municipality.

The SDBIP score is to be taken through to the performance plans of all the municipal manager and managers directly accountable to the municipal manager. Target is determined as a score of 3 as per the COGTA calculator. The municipal manager and managers directly accountable to the municipal manager may motivate a 4 or 5 score on the basis of efficiency, effectiveness and economy.

In addition the employee is to submit his/her Portfolio of Evidence (POE) at the same time so as to give the assessor/s the opportunity to review the evidence. The POE should confirm the level of performance achieved for a given review period. The POEs are linked to the system (targets achieved) and information included in the POE should therefore correlate with the information available within an automated system.



The POE evidence should first be validated before assessment is taking place. The evidence should be kept up to date at all times and be easily accessible.

Where possible **Internal Audit** should sit in as an observing member of the Assessment Panel. Internal Audit should conduct spot checks to validate information included in POEs within various Departments, across all employee levels.

## Performance Scoring

A performance score is calculated according to key performance indicators, objectives and key performance areas. Scoring of KPIs should be done on the basis of 1-5 as required by COGTA.

During the scoring process, each assessment panel member is given the opportunity to decide if they accept the organisational score allocated for reported progress against the set target. Thereafter an indicative rating on the five-point scale for each indicator is allotted. Once the score is identified the achievement of scores for the KPI's, objectives and key performance areas are added up based on weight that is attached. The overall score may be rated on a five point scale, indicating the level of over or under performance and converted to a percentage score to relate to the reward system. .

The rating scale for KPIs and competencies include the following:

| Rating | Terminology | Description | % Score |
|---|---|---|---|
| 5 | Outstanding performance | Performance far exceeds the standard expected of an employee at this level. | 167 |
| 4 | Performance significantly above expectations | Performance is significantly higher than the standard expected in the job. | 133 - 166 |
| 3 | Fully effective | Performance fully meets the standards expected in all areas of the job. | 100 - 132 |
| 2 | Performance not fully effective | Performance is below the standard required for the job in key areas. | 67 - 99 |
| 1 | Unacceptable performance | Performance does not meet the standard expected for the job. | 0 – 66 |

The above information was subtracted from the Municipal Performance Regulations for municipal manager and managers directly accountable to municipal managers as well as the Municipal Performance Regulations for section 56 employees and financial disclosure information sheet. The percentage score derives from a calculator issue by COGTA. The evaluation of the section 56 manager's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

### 5.4.3 Reporting



Various **reports** pertaining to employee performance should be compiled and saved on employee files for future reference.

**Reports** should be compiled on the performance assessments, scores allocated and final ratings.

**Reports** on employee performance, poor work performance measures and improvement of good performance should also be compiled and safeguarded.



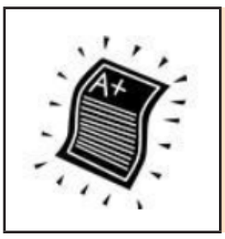
The **report on performance assessment** results of the municipal manager must be submitted by the Executive Mayor to the MEC responsible for local government in the relevant province as well as the National Minister responsible for Local Government, within fourteen (14) days after the conclusion of the assessment.

### 5.4.4 Evaluation for Reward

The purpose of the evaluation is to evaluate the employee performance management process with specific reference to the fairness, validity, objectivity and quality of the performance assessments and provide a reward based on the findings.

An Evaluation Committee is to evaluate and approve all assessments. The Evaluation Committee is responsible for making overall bonus recommendations based on reports submitted to them by the Human Resources Department. Based on this approval a performance reward may be awarded to those employees with exceptional performances once audited.

In terms of a performance bonus, Section 32 of Regulation 805 states that a performance bonus rating from 5% to 14% of the all-inclusive remuneration package may be paid to Municipal Managers and Managers directly accountable to the Municipal Manager in recognition of outstanding performance. The percentage of bonus to be paid out should be determined on the overall rating, calculated by using the assessment-rating calculator. A score of 130% - 149% constitutes a bonus of between 5-9% whilst a score of 150% constitutes a bonus of between 10-14%.




An example of a more detailed outline of the award system to be followed is provided below:

| % Rating Over Performance | % Bonus |
|---|---|
| 130 - 133.8 | 5% |
| 133.9 – 137.6 | 6% |
| 137.7 – 141.4 | 7% |
| 141.5 - 145.2 | 8% |
| 145.3 – 149 | 9% |
| 150 – 153.4 | 10% |
| 153.5 – 156.8 | 11% |
| 156.9 – 160.2 | 12% |
| 160.2 – 163.6 | 13% |
| 163.7 – 167+ | 14% |

Regulation 805 of 2006 states that any disputes about the outcome of the employee's performance evaluation and subsequent reward must be mediated, in the case of the municipal manager by the MEC for local government in the province and in the case of managers directly accountable to the municipal manager, a member of the municipal council that was not part of the evaluation panel. Such disputes must be resolved within 30 days of receipt of the formal dispute from the employee.

## 5.5 The Performance Management of Other Employees

### 5.5.1 Planning

Section 66 of the MSA states that a municipal manager within a policy framework determined by the municipal council must approve a staff establishment for a municipality, provide a job description for each post on the staff establishment, indicate the remuneration package linked to each post and establish a process or mechanism to regularly evaluate the staff establishment.

This means that, in accordance with the Employment Equity Act a municipality must develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration.




It is important to note that no formally prescribed performance management system for operational personnel in municipalities exists. Municipalities are therefore required to create and/or design employee performance management systems for operational personnel based on own best practices.

In relation to the above, Chapter 6 of the MSA, Section 38(a) states that a municipality should establish a performance management system that is best suited to its circumstances and in line with the priorities, objectives, indicators and targets contained in its IDP.




From this we can conclude that whenever employee performance management is cascaded further than Section 56 Managers, it is imperative to maintain the interdependence and link between organisational and employee performance management. The alignment of the employee performance objectives to the organisational strategy should ensure that strategic objectives are supported by the individual employee performance objectives and targets.

An effective and efficient employee performance management system requires the development and agreement of similar documents and actions as those of the municipal manager and managers accountable to the municipal manager with the main difference relating to the signing of a performance contract and agreement as legislatively regulated.

Even though municipal operational employees do not sign a legal performance agreement, they should sign a performance plan that illustrates what is expected of them and when.



**Employee performance plans** should focus on including KPIs and measurable activities that support the overall achievement of objectives and the establishment of required conduct (behaviour) to ensure performance achievements.



At the beginning of a performance cycle **mangers/supervisors** and **employees** should schedule meetings to identify and agree to the key performance indicators / activities against the functional (key performance) areas, performance objectives and the programmes that an employee is expected to achieve.

**Managers/supervisors** are responsible to communicate and report on the municipal strategic objectives, programmes, key performance areas and departmental performance objectives to employees and show them how their work will contribute to the successful achievement of the municipal strategic objectives.

During these meetings individual employee performance plans as a form of tracking and managing performance should be compiled.




Individual performance plan should be compiled for **ALL** employees irrespective of level. The implication thereof is that the employee performance management system should cascade down to include all employee levels. Performance plans should be **signed** by the end of July, the first month of each financial year.

As with the municipal manager and managers accountable to the municipal manager, various performance targets and standards should be agreed on and captured in each employee performance plan. It should be made clear to every employee what exactly constitutes a 100% (fully effective) performance, clearly specifying quantifiable measures.

This requires that the performance plan should encompass detail on both KPAs to be achieved as well as CCRs. KPIs should be included to provide indicators for when performance has been achieved. KPIs also include the aspects of "what", "where", "when" and "how", that can be used in the evaluation process

The Skills Development Act No 97 of 1998 requires each employer to submit an annual workplace skills plan. The aim of this requirement is to develop the skills of the workforce of South Africa and so improve the quality of life of workers, their prospects of work and labour mobility. In order to comply with the above each employee is therefore required to compile a **Personal Development Plan**.



The compilation of such a PDP requires that the manager and the individual employee discuss and agree on the most relevant and essential training exposures that will be required for the individual to fulfil his/her role effectively and to achieve his/her objectives and targets.

PDPs are to be submitted to the Human Resources (HR) department to be consolidated during the compilation of a comprehensive Skills Development Plan to be submitted to the Department of Labour. Personal Development Plans will systematise the municipality's approach to training and development by ensuring that all employees' training is carefully planned. It is imperative that a competency framework be developed prior to individual performance plans.

### 5.5.2 Monitoring through Assessment of Other Employees

Similar to the assessment of the municipal manager and managers accountable to the municipal manager, the KPIs or measurable activities as well as competencies of each employee should also be assessed. This is required to ensure the complete cascading of the performance management system to all levels of municipal employees. Implementation of this includes the actual assessment of employees according to a set schedule, scoring employee performance and rating performance.

The performance of each official 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 and informal if performance is satisfactory. These review must be completed for the quarters listed below:

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

An assessment rating process and calculation of scores as done for the municipal manager and managers directly accountable to the municipal manager is to be used to arrive at an overall score for the individual's performance. A performance score is calculated according to key performance indicators, objectives, key performance areas and measurable activities. An official 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. KPAs covering the main areas of work will account for 80% and CCRs will account for 20% of the assessment. A municipality may choose its own individualised approach for levels lower than management.

## Performance Scoring

The COGTA calculator can also be used to score the assessment of employee performance. If an employee proposes a 4 or 5 he/she must motivate the reason thereof. This reason must be clearly identifiable in the PoE compiled and submitted by each employee. PoE should again be linked to the system and information included in these should be verifiable with data included in the system. Where a manager and employee differ in their scores, a discussion shall be held to agree on a final score.



During assessment, **assessors** should apply consistent, explicit and objective job-related standards when preparing performance appraisals. Work performance, not the individual, should be judged. Appraisal should be related to the essential functions of the job that in turn should be aligned to the outcomes of the organisation.

### 5.5.3 Reporting



After conducting the performance assessments for all his/her staff, the Manager/Supervisor prepares a summary **report** detailing the results of the reviews for his/her department.

The Head of Department assesses the results of all the performance reviews conducted in his/her department and considers the following:




Are the performance scores given by a certain Manager/Supervisor all high or all low? A Head of Department should determine the reason for a Manager/Supervisor scores all his/her employees either very high or very low. Are the objectives too easy/difficult or are the performance indicators too vague thus allowing for subjective measures?

If a Manager/Supervisor is scoring his/her employees high then it should follow that he/she has achieved his/her objectives. It does not make sense for a Manager/Supervisor not to achieve his/her objectives when his/her employees have all achieved theirs. This is an indication that something has gone wrong in the planning phase of the performance management process.



**Reports** should be signed by both the manager/supervisor as well as the employee and a copy thereof submitted to the Human Resource Department to keep on file. **Reports** on findings are to be submitted to the Evaluation Committee for deliberation.

### 5.5.4 Evaluation for Reward of Other Employees

In order to encourage high standards of performance municipalities should recognise the reward of outstanding performance. Employees on fixed term contracts and performance agreements and who obtain high scores on their performance agreements should receive some sort of reward depending on the remuneration policy of the municipality.

A performance reward scheme does not automatically form part of the conditions of employment for employees. It is variable remuneration on top of guaranteed pay and may change substantially from year to year. Where implemented, performance reward schemes are operative at the discretion of the municipality, and the municipality reserves the right to amend or withdraw the scheme at any stage.

In instances where municipalities offer performance rewards, performance audit committees should audit the results of employee performance and prepare a summary to the Council. This summary should indicate the percentage of employees in each category. This summary should also break down the results for each department and include any areas of concern that need to be brought to the Council's and administrative attention, as well as the expected costs associated with awarding rewards.




Rewards can be financial or non-financial.

This concludes the discussion pertaining to applying the performance management processes to employee performance management. However, what happens when an employee is not performing? The next section will examine the steps and activities to be conducted to assist employees to improve performance. It is important to note that improving performance and managing under performance is part of the performance management system and applies specifically in throughout monitoring and evaluation.

## 5.6 Managing Poor Performance

The improvement of poor performance is the most important focus of the performance management process. In order to do this, it is important that the causal and contributory reasons for poor performance are analysed. The fact that an employee's work does not comply with the set measurable activities identified in the employee scorecard does not necessarily mean that the employee refuses to comply with the performance standard(s) and/or planned target(s). Usually, poor work performance is related to the fact that, for whatever reason, an employee cannot perform his or her work to the expected standard.



In approaching poor work performance, a **Manager/Supervisor** should always, ensure all procedural steps have been followed, taking into consideration that there may be a variety of reasons for poor performance and that poor performance can only be improved once the cause thereof have been determined.

Should an individual not be achieving the objectives in his/her performance agreement the Manager should assist the individual by monitoring his/her performance more closely. It should be a continuous process starting with the agreement and following through to the performance assessments.



Supervisors/managers who directly oversee a municipal official will be responsible for reviewing the performance of the officials reporting directly to them.

The type of performance management system used will impact on the development and review of employee performances. While good and excellent performance must be constantly improved to meet the needs of citizens and improve their quality of life, it is poor performance in particular that needs to be improved.

Poor performance may arise out of one or more of the following:

- Poor systems and processes
- Inappropriate structure
- Lack of skills and capacity
- Inappropriate organisational culture

- Absence of appropriate strategy
- Inadequate resources



If a **Manager** notices that an employee's work is not meeting the required performance standard(s) and/or planned target(s), he or she should, at the earliest possible opportunity, make the employee aware of the fact.

Although the key to appropriate management of poor work performance is finding out the reason for the poor performance, it is not done at this stage, since the aim is to, in the case of minor cases of unsatisfactory work performance, just to alert the employee thereof.



If the performance does not improve, the **manager/supervisor** must set up a formal performance meeting to determine the reason for the poor performance.

Together the **manager/supervisor** and **employee** can determine the manner in which the poor work performance is to be addressed, including the practical steps that need to be taken by both the employee and the manager/supervisor to improve performance. Such remedial steps should be agreed upon by both manager/supervisor and employee.

The course of action to be taken to remedy the poor work performance of the employee must be carefully noted by the Manager/Supervisor and, if the employee agrees to the course of remedial action, the employee must sign a document outlining, in detail, the steps that will be taken to remedy his or her poor work performance. The course of remedial action to be taken to improve the work performance of the employee should be clear and should indicate the improvement the employee needs to make to his or her work performance. Clear milestones should be set in the course of remedial action. These targets should lead to a final stage where the employee's work performance fully complies with the performance standard. The course of remedial action should also be linked to a certain period of time.



Poor performance may, for example be addressed through coaching aimed to change behaviour or actions so as to ensure that targets are achieved against set standards.

**Performance coaching** is crucial to continuously track and improve performance through feedback and reinforcement of key results and competencies. During coaching sessions it is important to focus on the behaviour that needs to be rectified, rather than the personality of the employee. Specific goals should be set for each session and reinforcement techniques should be used to shape and improve behaviour. It is important to actively engage the employee in the formal coaching session and guide him/her towards enhanced understanding of how performance can be improved, rather than dictating the results required.

**Formal training** can also be undertaken to improve poor performance. The official's direct manager is responsible for ensuring training attendance corresponds with the job requirements. The training is an opportunity to formally work on corrective actions.

It is not enough to outline, discuss and agree on a course of remedial measures.



The **manager/supervisor** and the **employee** must also agree on regular review intervals and follow-up meetings to check whether the employee's performance has improved, whether the remedial measures are appropriate and have the required effect. If the course of remedial action does not succeed in improving the employee's work performance, further remedial measures must be considered, invented, suggested or applied as and where possible.

If the remedial measures have been exhausted, and the manager/supervisor is convinced that there has been no improvement in the employee's work performance, a final meeting with the employee must be scheduled.

**Dismissal** for poor work performance is accepted in South African labour law as a valid and fair reason for termination of employment. But dismissal for reasons relating to poor work performance must only be regarded as a last step to be taken if all other measures, alternatives and options have been exhausted entirely. Dismissal for poor work performance must be done in a procedurally fair manner, strictly following set procedures based on guidelines given in the Labour Relations Act.

Regulation 805 of 2006 provides detail on the termination of the contract of the municipal manger or managers directly accountable to the municipal manger due to poor performance. The Regulation states that if the employer terminates the employee's appointment for reasons relating to misconduct, incapacity, unacceptable performance or other reasons recognised by law, one calendar months' notice of termination in writing is required.

## 5.7 Conclusion

There are various pieces of legislation governing the establishment of a performance management system governing the municipal manager as well as managers directly accountable to the municipal manager of municipalities. These include the Municipal Structures Act, MSA, as amended, MFMA, Labour Relations Act, Employment Equity Act, the Municipal Planning and Performance Management Regulations, White Paper on New Employment Policy in the Public Service of 1997, the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager (2006 as amended 2011, 2014) and Municipal Regulations on Minimum Competency Levels.

Municipalities must establish a performance management system that allows for the management of performance of other employees (managers, supervisors and employees) which is aligned to the principles of the management of performance of municipal manager as well as managers directly accountable to the municipal manager. These systems must include elements such as performance agreements, plans and standards, evaluation, reward mechanisms, PDPs, KPAs, KPIs, CCRs, evaluation mechanisms as well as poor performance management interventions.

# Unit 6: Institutional Arrangements for Performance Management

## Learning Outcomes

On completion of this unit, you will be able to:

- Develop technical systems to facilitate institutional and individual performance management.
- Establish a municipal culture supporting performance management objectives.
- Design relevant organisational structures for effective performance management within a municipality.
- Implement an effective monitoring and evaluation system.

## Key Concepts

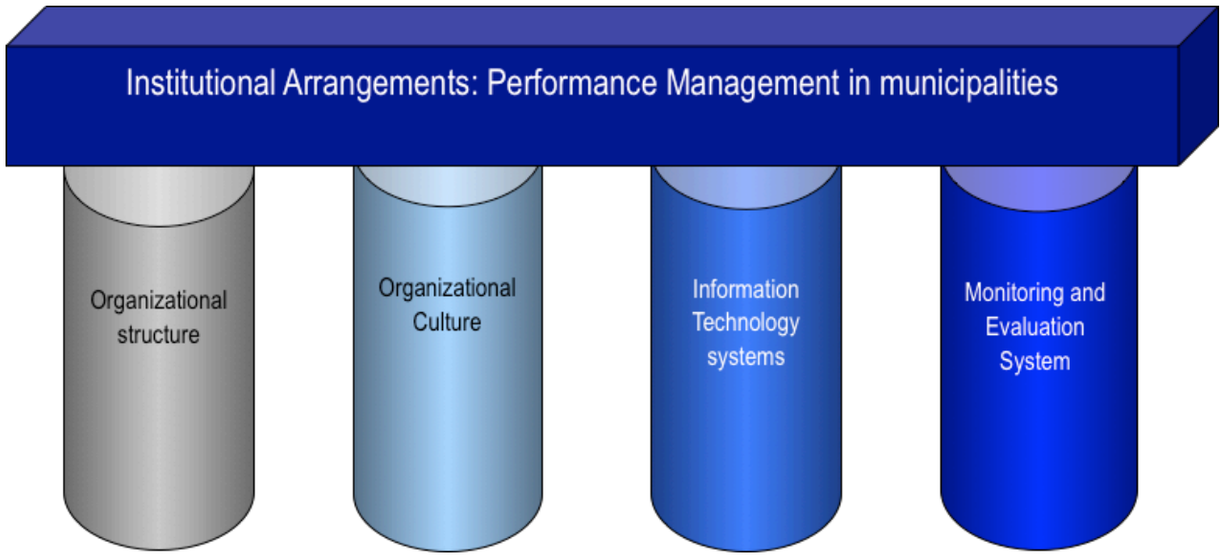
Data, technical systems, cultural differences, performance management requirements, organisational structures, forecasts, monitoring and evaluation system.

## 6.1 Introduction

Based on what you have learned in the previous units, it should be evident that developing and implementing a performance management system will not just happen without the necessary organisational support and infrastructure in place. This support and infrastructure comprises of four distinct components:

- Institutional arrangements in terms of organisational structures within the municipality aimed creating a structure to implement and monitor performance.
- Establishing a performance culture that will embrace and promote institutional performance management.
- Systems and processes to provide technical support for the implementation and monitoring of the performance management system.
- Developing and implementing an effective M&E system.

***Figure 11 Institutional Arrangements for PMS in municipalities***



Institutional arrangements focuses on the institutional governance structure put in place to ensure that performance activities are conducted, monitored, reviewed and improved enabling the objectives set in the IDP to be achieved.

Systems and processes refer to the technical aspects of monitoring performance management and focuses mainly on the use of information technology to assist in measuring, scoring, assessing, analysing, interpreting and reporting on performance.

The aim of this unit is to focus on these three requirements that impact on the success on which the performance management system of a municipality is implemented.

## Institutional Arrangements:

## 6.2 Organisational Structure

Government organisations are almost exclusively based on bureaucratic principles. However, in the modern organisational environment with the emphasis on democracy and participation, no organisation can afford to function strictly according to bureaucratic principles. To ensure the compilation of a government structure that can support performance management, elements of the behavioural model of organisational development must be incorporated when creating institutional structures.

To achieve the above, Minnaar (2010) suggests that an organisational structure be created based on the strategic objectives of what it is that the organisation is to achieve.




It is important to note that structure must always follow strategy and not the other way around. Within the municipal context, it is required that the organisational structure is compiled based on:

- Achieving legislative requirements pertaining to roles and responsibilities
- Municipal strategic objectives and priorities aligned to the achievement of National Outcomes.

If the above is to be achieved, the governance structures should support effective and efficient performance management within a municipality. This is required to ensure:

- Alignment between organisational structures and processes in performance management
- That the structures created within the organisation support the execution of the performance management system

At this point it may be required to briefly explain what is meant by *internal organisational governance structure*.



For the context of this Unit, the term internal organisational governance structure refers to the structures that must be created to provide for organisational and employee performance management. It refers to formal system of task and reporting relationships that controls, coordinates and motivates employees so that they cooperate and work together to achieve an organisation's goals.

Creating an internal governance structure is imperative to ensure strategy implementation. The applicability and accuracy of the internal governance structure play a key role in ensuring the organisational performance is kept aligned towards the achievement of desired strategic objectives of the municipality. In order to achieve an organisation's strategic intent, the management needs to ensure an organisation's governance structure is aligned to its strategy's objectives, organisational objectives and departmental objectives through the establishment of processes.

Operational processes include how work is carried out in the organisation and how the activities that constitute such processes are interlinked. It defines the work required to complete activities and refer to a group of related tasks with specific inputs and outputs to be achieved.

In most instances, structures and related processes (inclusive of the assignment of responsibilities) are created to ensure accountability within the municipal governance structure. Within the average municipality such accountability encompass from the:

- Municipality to citizens and communities
- Executive Committee to Council
- Administration to the Executive Committee/Executive Mayor
- Line/Functional/Sectoral Management to Executive Management, Portfolio and Standing Committees
- Employees to the achievement of strategic objectives

To ensure the achievement of such accountability of performance, an organisational arrangement structure based on strategic and operational activities must be created. The aim of this organisational arrangement structure is to ensure that key stakeholders and role-players are identified and understand the roles they play in ensuring the development and implementation of performance management within the municipality.

The profiling of the roles and responsibilities is done by mapping the organisational structure with the tasks that need to be accomplished in order to achieve the strategic objectives. The same tasks and responsibilities ought to be considered when evaluating the performance of individual employees. In this way performance appraisals provide an insight into an organisation's performance management phases and provide insight about the extent and quality of the performance management system.

As indicated previously, a variety of stakeholders and role-players fulfil particular functions to ensure that the PMS of a municipality is effectively and efficiently developed, implemented and maintained.

Institutional structure is mainly hierarchical with a subordination of entities that collaborate and contribute to serve one common aim. An organisation can be structured in many different ways and styles, depending on their objectives and ambience. The structure of an organisation will determine the modes in which it operates and performs. Organisational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the executive management, department, workgroup and individuals.

This structure defines the following actions within a PMS:

- Formal relationship with well-defined duties and responsibilities
- Hierarchical relationships between superior and subordinates within the organisation
- Tasks or activities assigned to different persons and departments
- Coordination of the various tasks and activities
- Policies, procedures, standards and methods of performance evaluation aimed at guiding activities within the municipality

## Performance Management Unit Functions

Municipalities should consider the establishment of a Performance Management unit to manage and coordinate all performance management activities within the municipality. The purpose for creating such a Unit is to assist municipalities in creating a structure that will support the development and implementation of a performance management system.




By creating such a Unit, a municipality will ensure the centralisation of all performance management activities to assure that organisational as well as employee performance management activities are coordinated, managed, reviewed and assessed in a holistic manner.

Departments are divided into divisions such as support services and service delivery directorates, all reporting to the Performance Management Unit in terms of their performance. This Unit collates the information and coordinate performance management activities and report findings to the executive management and municipal manager.



Information obtained from the directorates are presented by the Unit to **Internal Audit** and **Risk management** to identify areas of concern and make recommendations to rectify performance activities to ensure the achievement of performance outcomes.

It is imperative that the roles and responsibilities assigned to stakeholders and role players in the structure be linked back to legislative requirement, as previously discussed.

When creating such a Performance Management Unit to coordinate and manage all performance activities of a municipality, the following key components need to be taken into consideration:

- It should be capacitated by multi skilled staff of a variety of disciplines so as to ensure that it is able and capable of driving effective and efficient performance management within the municipality. Expertise required includes IT specialists, Economists, Researchers, Data Managers, Trainers, Report Writers and Analysts.
- Capacity also includes access to resources other than personnel to ensure that the activities of the Unit can be achieved successfully.

**Key functions of the Performance Management Unit** as the custodian of municipal performance management include:

- Ensure alignment between organisational and employee performance management
- Use the SDBIP as a performance management tool to monitor performance within the municipality.
- Advise on daily issues pertaining to performance management and the achievement of outcomes, outputs and performance indicators.
- Report on the performance of the municipality and identify areas where improvement may be required.
- Ensure alignment and integration between the IDP, budget, SDBIP, performance measurement and management into one monitoring and reporting system.
- Prepare the municipality to understand the scope and framework of performance management and guide activities such as employee reviews/evaluations, training, mentoring and coaching to enhance municipal understanding of the performance management phases.

## 6.3 Leadership, Change Management and a Performance Culture

### 6.3.1 Leadership

It is one of the key functions of the Strategy Unit, in collaboration with management, to prepare employees to understand and embrace the performance management system of the municipality. This is of utmost importance as employees who believe in what their organisation is doing will participate in performance activities and work towards the achievement of a common goal. At the core of organisational performance success is leadership.

The White Paper on Performance Monitoring and Evaluation (2009) states that leadership and shifts in management mindset is imperative if the performance of a government structure such as a municipality is to be improved.



Within this context leadership refers to the process of influencing other people to achieve an objective and guide the organisation in a way to make it more coherent and cohesive. It requires a process of leading people in the right direction in order to achieve identified goals.

In order for management to display strong leadership, training in performance management is required., Managers should be taught how to develop measurement and how to link various related components of work in the public sector, to inputs, processes (activities), project (activities), outputs, outcomes, and impacts that constitute programmes, and services, so that they form an integrated whole or system. Managers should also be able to manage such a system and enable practitioners to produce data from it for decision-making.




It is imperative that managers or leaders lead by example.

The appointment of **performance management champions** within municipalities will further promote strong leadership. These champions can be members selected based on their knowledge of performance management. The function of these champions will be to promote and actively support the application of performance management within a municipality by providing coaching and mentoring to other members of the municipal staff. They can add considerable value to the PMS of the municipality as they provide training, guidance and support towards the implementation thereof.

### 6.3.2 Developing a Performance Culture

A performance culture is imperative if a municipality wants to bring about growth as it creates the platform for behavioural changes and motivation towards the achievement of common goals.

International experience indicates that re-direction of public service culture is difficult, costly and takes eight to ten years of sustained effort. Yet, unless people in the public sector (whether elected or appointed) change how they think and work, service delivery outcomes will fall short of what the poorest and most vulnerable citizens need.



To create such a performance culture, the White Paper on Performance Monitoring and Evaluation (2009) proposes that buy-in and commitment from all **managers** and **public servants** is required to achieve positive change.

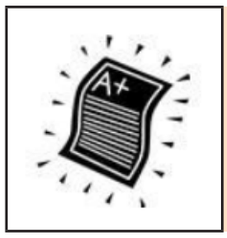
Meaningful change in how government employees think and work needs bottom-up support, especially from middle management. Without the support of a critical mass of the individuals who actually deliver government services, cultural reform towards performance improvements will not be achieved.

**Buy-in** is to be obtained by actively engaging employees in the setting of programme goals/objective and project outcomes and outputs. This approach requires flexibility in application and consultation with employees. Employees should be encouraged to participate in developing outcomes that is meaningful for their own context. If employees are not actively involved in this development, they will see little point in investing time and effort to implement activities that has no value to them in their work. They are more likely to buy into the process when they recognise its benefits.

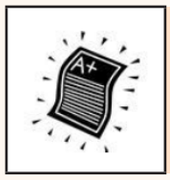
A performance culture can therefore be created and supported by:

- Encouraging employees to assist with the compilation of clear performance goals and objectives,
- Encouraging employees to take responsibility for the continuous improvement of organisational processes and of their own skills, behaviour and contributions,
- Focusing on planning by defining expectations, setting priorities and allocating resources to deliver business plans, and
- Creating strong relations between managers and employees as well as between employees within a department/ section to promote a performance culture. In this sense teams should be established that are highly functional. Team members should become resources for one another and should support and guide each other to continuously strive towards performance improvements. Within these teams, expectations of managers and individuals should be shared and should relate towards the outcomes to be achieved by the team. Team members should be responsible for monitoring progress and be held accountable for the achievement of set programmes/projects/processes/ activities and targets. For this to be accomplished, a strong working relationship and trust should exist between team members and their manager.

A number of activities should be applied within a municipality to create a performance culture.



Examples of such activities are provided below:

| | |
|---|---|
| **Obtain and show commitment from the top:** | Management from all levels should show their commitment to creating a performance culture. |
| **Develop performance plans based on strategic, operational and business plans:** | These plans must take into account what is realistically possible to deliver, given the available resources and considering the people management implications. Once priorities have been established, departmental strategic plans need to be translated into team and individual performance plans. These plans will provide employees with a clear indication of what is expected of them and the level at which they are required to achieve results.<br><br>The purpose of these plans is to give employees an opportunity to buy in to the processes and projects required to achieve set outcomes. This will create a sense of participation and employees will be more willing to commit towards the achievement of these if they were involved in the process of designing it. |
| **Establish what good performance culture looks like:** | Employees should see the actual implementation of this culture in various organisational spheres and be given the opportunity to see in practice how it is applied. |
| **Develop an internal communication system:** | Effective messages to change culture and promote performance should be used to assure employees of the need and necessity to adapt and change the culture and so improve performance.<br><br> E-mail, newsletters, notice boards, team briefs and the intranet can be used to promote cultural change and improvements. |
| **Ensure that a performance management framework are in place and well understood:** | A performance appraisal process is traditionally used to set objectives, identify support needs and measure progress. For it to work effectively it must be clearly understood. For this to occur, managers and employees must receive training on employee performance management and receive the necessary support, guidance and coaching to actively engage in the performance appraisal process. |
| **Provide support to employees to succeed:** | Effective induction and probation processes for new employees and additional support for other employees in conducting their work effectively and efficiently are extremely important in setting the right expectations and creating a performance culture. Employees that perceive that they are provided with sufficient support to complete their work successfully will be willing to increase their efforts to improve their own – and in effect also the performance of the organisation. |

| | |
|---|---|
| **Recognise and reward good performance:** | Good performance needs to be recognised and, where appropriate, rewarded. This will again ensure that employees are willing to walk the extra mile in completing their activities effectively and efficiently.<br><br>Rewards can be financial or non-financial. Non-financial rewards which have potential to motivate employees can include:<br><br><br>Circulating trophies, employee of the month certificates, meeting recognition, best performer certificates, and others. |

Ultimately the aim of creating a performance culture is to ensure that employees take accountability for their contributions towards the success of the organisation and their own careers. This requires negotiation of the expectations and goals to be achieved within the organisation. It also requires continuous monitoring and provision of feedback, coaching and performance appraisals to ensure that all employees remain on track to achieve set targets. Employees should feel secure in what it is that is expected of them and should be provided with support and guidance (coaching, mentoring, and training) to ensure that success is achieved.

Changing employee views and opinions about performance management often requires the implementation of a change management plan as the introduction of a performance management system inevitably involves change.

### 6.3.3 Change management

Change management requires an understanding of how employee and organisational behaviour should be adapted and improved to achieve the required results of creating a performance culture.

The implementation and success of the performance management system requires continuous monitoring to ensure that required changes/improvements are achieved. Due to the continuous monitoring of performance, municipal employees may become resentful, annoyed or even present anger against the performance management system; resisting the implementation thereof, or in other words change toward implement a successful system.

To minimise the negative effect of change, employees must understand that the implementation of a performance management system will bring forth improved service delivery, economic growth and development for the whole community, as well as recognition for those employees who perform. The performance management system must be seen as a tool for service improvement, not as a punitive system for poor performance.

For change to occur there must be an imbalance between the current state within an organisation and a proposed future state. Within a municipality it is the responsibility of management to lead and manage the process of change. For change towards the achievement of a performance culture to be successful, management will have to estimate what the impact of change will be on employee behaviour patterns, work processes and motivation. It is important to assess what employee reaction will be to suggested changes and to develop a change management programme that will support officials to learn to accept and adapt to change around them.

Possible objectives of such a change management programme may include:

- Ensuring that the municipality is ready for change. A municipality is ready for change when its management clearly articulates the need for change; the culture encourages risk-taking; rewards are given for change; and communication in the municipality is clear.
- Creating momentum for change by ensuring that officials understand the necessity for change.
- The creation of a strong guiding team.
- Fostering trust between manager and official by inviting open, honest and participative discussions when strategic and performance management planning is done.
- Highlighting the benefits of a performance culture to officials. People, generally, are less likely to resist when they perceive the benefits of change.

It is important to note that no single best practice exists for the implementation of change that can cater for all municipalities and/or departments within the same municipality. However, there is a set of practices that can be adapted to a variety of situations. These practices include:

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| **Address the human side systematically:** | Change and transformation will always create emotional issue and resistance. New leaders will be asked to step up, jobs will change, skills and capabilities will be developed and this may create a whole lot of uncertainty within employees. A formal approach to manage these uncertainties is required. The proposed approach is to obtain buy-in and provide opportunities for employees to express their views from the start of the change management programme. In this way key issues can be dealt with and the negative impact of fear and uncertainty eliminated before it spreads to infect all employees. |
| **Start at the top:** | Because change is difficult, strong leadership is required to ensure that people see the vision and are able to follow in achieving it. Leaders must therefore embrace change first, both to challenge and to motivate the rest of the municipality. They must speak with one voice and model the desired behaviours. |
| **Involve all officials:** | Transformation to create a performance culture will involve every official on every level within the organisation. Change efforts must include plans for identifying leaders at all levels within the organisation that will carry the message of creating a performance culture to other officials. Scenarios can further be created to provide officials with opportunities to participate in the change process through discussions, workshops, feedback meetings, etc. |
| **Make the case for change formal:** | The articulation of a formal case for change and the creation of a written vision statement are invaluable opportunities to create or compel leadership-team alignment. In addition, it is necessary to articulate a convincing need for change and demonstrate hope and faith that the municipality is able to make the transition towards the vision of creating a performance culture. |
| **Create ownership:** | Ownership is often best created by involving people in identifying problems and crafting solutions. It is to be reinforced by incentives and rewards. |
| **Address culture explicitly:** | Once the culture is understood, it should be addressed as thoroughly as possible. Leaders should be explicit about the culture and underlying behaviours that will best support and drive performance to achieve set outcomes. |
| **Speak to individuals:** | Change is both an organisational journey and a very personal one. People spend many hours each week at work; many think of their colleagues as a second family. Individuals (or teams of individuals) need to know how their work will change, what is expected of them during and after the change programme, how they will be measured, and what success or failure will mean for them and those around them. |

A strong relation exists between change and the creation of a performance culture. Establishing a performance culture where every official within the municipality understands his/her role and responsibility towards the achievement of these outcomes, is imperative. Only when officials change their culture, values and behaviour to embrace and perform their tasks towards the achievement of these outcomes, will service delivery improve, and with it the lives of the community they serve.

In summary, the performance management system requires effective leadership and change management for the managers and officials within the municipality to fulfil the accountability cycle. Full understanding and ownership of the political, administrative and audit responsibilities are required.

## 6.4 Technical Systems



Technical systems refer to, inter alia automated system which provides mechanical, electrical or computerised action, minimising human effort and providing additional intelligence. It is the technology concerned with performing a process by means of programmed commands combined with automatic feedback control to ensure proper execution of instructions.

Using automated systems within the performance management system is, according to the Policy Guidelines for the Government Wide Monitoring and Evaluation System GWMES (2007), imperative to improve governance and enhance the effectiveness of public sector organisations. Within the scope of the performance management system, technical or automated systems are used during the execution of the performance phases of planning monitoring, reporting and evaluation.

Automated systems ensure that all generated data is properly classified, categorised and stored in a repository and made available when needed by users. Automated systems are used to ensure that data obtained from various business units, sectors, departments, entities, budgets, performance indicators etc. are stored and made available when needed to determine progress made towards the achievement of defined policies/ programmes/ projects and ultimately the achievement of outcomes and impacts. In comparison, manual systems simply do not have the capability to provide a platform complex enough to handle a multi-year performance management system.




The development or adoption of an automated system will not only enable the municipality to comply with the legislative framework, but also assist municipalities in creating an integrated performance management system that is aligned with other systems such as the financial and human resource management systems. This will enable more accurate information compilation and distribution, and free users to concentrate on service delivery.

Choosing an automated system can be costly and time consuming. It is therefore imperative that the right proven choice for each municipality is made as the value of automated performance management systems only becomes evident after multiple years of baseline has been gathered.

For an automated system to comply with the requirements set by legislation for municipal performance management, it should be able to:

- Produce accurate and reliable information on progress in the implementation of programmes based on continuously collected and updated data
- Periodically provide information on the outcomes and impact achieved by the municipality
- Improve the quality of monitoring and evaluation practices in the municipality
- Effectively and efficiently monitor, report and evaluate performance based on the view that by promoting certain practices and collecting and providing information to system users, positive consequences will result.

Various levels of technology advancements are available for use by municipalities, depending on their performance needs and requirements.




Examples of such technologies include:

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| **Databases:** | Databases are in effect a central repository of data, organised in such a way to allow for easy access and the relationship management of information. These can broadly be divided into two categories, namely operational databases and data warehousing technologies. |
| **Toolkits:** | Toolkits refer to systems not specifically designed for managing of performance. They include personal productivity tools like spread sheets and word processing applications. These tools can be integrated and customised in small business environments or local municipalities looking for cost effective solutions to adhere to basic legislative requirements. |
| **Application Services Provider (ASP) Model:** | An Application Services Provider (ASP) can be defined as a business that provides access to specialised software to other companies over a network. The software is most likely web-based and can be accessed through the Internet by making use of a web-browser or through an intranet as set-up by the service provider. The ASP Model is a fast-growing technology platform that allows for small- to medium-size organisations to have access to specialised software that would be otherwise unaffordable. |

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| **Performance Management System:** | Performance management tools are part of specialised software group that allow for the automation of different performance management methodologies like the Balanced Scorecard and Six Sigma. They can tie strategic objectives to day-to-day activities and resources. They can define hierarchies and translate measures into meaningful performance scores. Performance management software is typically designed for small-to medium organisations. |
| **Performance Management Systems and Business Intelligence (BI):** | Business Intelligence (BI) software that allows for easy access of historical and current data to determine trends and events in graphical or statistical views. BI is often used as an umbrella term for concepts like reporting, analysis, what-if scenarios, "slice-and-dice" and on-line analytical processing (OLAP) technologies. BI software is widely believed to give organisations the competitive edge through its ability to easily analyse business performance and derive intelligence about day-to-day activities. |
| **Fully Integrated Systems:** | These are Enterprise Resource Planning (ERP) products that may be able to interface with an organisation's own software and may be alterable via the vendor's proprietary tools or programming languages. These tools are typically used by large organisations. Their primary function is to manage resource planning on an enterprise scale. ERP systems have evolved from earlier business planning systems to today's systems that integrate all business management functions including planning, inventory/materials management, order processing, manufacturing, purchasing, finance, human resource and performance management. |

## Considerations when implementing systems

Before implementing any of the above technical systems, there are several financial, technical and human aspects to take into consideration. These aspects include the following:

| | |
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| **Technical Infrastructure:** | Mid-market and upper-market products require a sound technical infrastructure to be in place to be able to function efficiently. Technical considerations would include the following:<br>• Internet access<br>• Local Area Network (LAN)<br>• Database and application server requirements<br>• E-mail requirements |
| **Skill and Resources:** | Users are required to have specific skills in managing and measuring performance through software applications. Necessary skills could include IT skills, capturing skills, analysing skills and report-writing skills.<br><br>Municipalities are faced with the challenge that they do not always have the necessary financial capabilities to constantly train users or acquire and retain the necessary skills or resources to implement an automated performance management system. |
| **Reporting specifications:**  | While legislation requires specific reports from municipalities, it is also important to consider the specifications and formats to which reports have to adhere to. While some compulsory reports like the mid-year financial and annual report from National Treasury, as well as the COGTA mid-year report has specific formats set, other reports like the quarterly performance report has no specific reporting layout. It is therefore important to take reporting capabilities into consideration when choosing an automated system.<br><br>Cognisance must be taken within the reporting format to accumulating data relevant to key strategic measurements of the Mayoral 5 year political term<br><br>The Performance Management Guide for Municipalities as well as the Circular 11 template for Annual Reports supplies criteria for acceptable reporting. The minimum standard for software applications should be able to adhere to the above requirements. |
| **Functionality of the Technical System** | It is important to investigate the functionality of a technical system to ensure that the system will adapt to the legislative requirements and methodology used by the municipality. |

It is import that an electronic system should be able to adhere to and fulfil the different performance management phases. In order to provide guidelines as to how this can be achieved, the section below will focus on providing detail on required system functionality throughout the different phases of the performance management cycle.

## 6.5 System Functionality Linked to Performance Management

### 6.5.1 Planning / Review

Within the planning/review phase, a total approach to managing people involve setting performance aims and expectations for the organisation, departments and individual employees. The automated system should make provision for both organisational and employee performance management.

The greatest challenge when compiling an automated system to support the planning phase is ensuring that all the phases of the performance management system are integrated and aligned. This requires a sound methodology to develop the scorecards/plans to ensure meaningful results. Without the methodology the system will be perceived as failing when weak data is being measured and reported on.

The PMS should enable users to manage their plans, change plans and keep records of changes for future verification and tracking purposes. This requires the availability of administrative features to enable users to retrieve data from multiple locations and combine data from more than one data source. .

In addition, the system should also provide the following in order to support the planning phase of the performance management system:

| | |
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| **Single view:** | The system should be able to cascade strategic objectives to organisational objectives to departmental objectives to employee performance plans through a hierarchical structure. To obtain a single view of the organisational performance, all scorecards should be presented under “one tree”, enabling an organisation to measure performance for the organisation as a whole.<br><br><br>The tree is based on a hierarchy of scorecards which are logically grouped to establish a single view of performance. The tree should also act as a management tool to alert one to under- or over-performance through scoring and colour coding. The example of such a single view is provided from the Labella (2011) system. |

| | |
|---|---|
| **Web-based access:** | If the system is web-based, it will allow for access to the system from various geographical areas. |
| **Alignment with existing software:** | Use of a familiar technology such as Microsoft ensures that the substantial investment already made in software training and products commonly used by staff in the day-to-day workplace, means that minimal time is spent on up-skilling. Employees can focus on performance management rather than acquiring new computer system skills. |
| **Multiple users and security:** | Multiple users must have access to the system with various levels of security to upload, download and access performance related information. |
| **Provide an audit trail:** | It is imperative that the system indicate which tracks of actions are taken on the system in terms of changes made to original captured data to demonstrate authenticity of the data. |
| **Flexibility:** | The system should be flexible to accommodate future requirements in line with National Government Outcomes and any current/future municipal plans and be aligned to monitoring and evaluation processes. |

### 6.5.2 Monitoring

The Municipal Planning and Performance Management Regulations states that a municipality must develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it.

When choosing an automated system to support performance monitoring, the municipality must ensure that the system **comply** with the following:

- Have the ability to measure progress against set targets and indicators
- Have the ability to compile quarterly reports to be submitted to the council
- Be designed in a manner that enables the municipality to detect early indications of under-performance (early warning system), and
- Provide for corrective measures where under-performance has been identified.
- Identifies the responsibilities of the different role-players in the monitoring process
- Allocate tasks for data gathering and capturing to specific individuals
- Create a comparison of performance between the current and previous financial year, including baseline indicators
- Make use of a single repository/data warehouse to capture and retrieve information.
- To ensure that data cannot change after the monitoring period, the system should ideally enforce a “lock-date” approach.

With relation to programme/project information, the automated system should make provision for the **capturing** of the following information:

- Key Performance Indicators
- Weight of Key Performance Indicators
- Dependencies
- Role-players
- Outcomes/outputs
- Performance benchmarks inclusive of baseline data as well as current and five year targets
- Historical performance comparisons in terms of preceding and succeeding programmes/projects
- Accumulative and hierarchical scoring
- Programme/Project / Process Name and activities

- Completion Dates
- Budget and expenditure
- Notes, corrective action and commentaries
- Completion Dates

In addition, an automated system that will support performance monitoring must enable the organisation to **quantify** and **measure** organisational performance and ensure that the current service levels are managed and achieved. This can best be achieved if the measurable targets and actual progress is presented in the system as scores. Different colour codes should be used to signify certain achievements/under-achievements. A scoring mechanism will also entail those additional parameters like "Worst performance" is included to identify actual targets in relation to the annual and quarterly targets. An example of such scoring calculations that is based on the performance assessment calculator of COGTA is provided below:

***Figure 12 Performance Assessment calculator***

| Colour code | Scoring | % target achieved | |
|---|---|---|---|
| | Score | Low | High |
| Unsatisfactory | 1-1.99 | 0% | 66% |
| Average | 2 -2.99 | 67% | 99% |
| Achieved / Exceeded target | 3 -3.99 | 100% | 132% |
| Exceeded target | 4 -4.99 | 133% | 166% |
| Outstanding | 5+ | 167% | + |

For it to be effective the automated system should further include an early warning **scoring** system based on a methodology to highlight the strategic objectives, developmental programme objectives and departmental and operational objectives that did not achieve the intended outcome and result. This information shall be used at different levels to monitor, manage and to take decisions, to improve service delivery according to the intent of the strategies, at different levels.

The automated system should also be able to **drill down** and if required provide users with detail information on why certain outcomes are not achieved and specifically who or what is contributing to success or failure.

In terms of key performance indicator and project information, the automated system should be able to **provide detail** on descriptions of key performance indicator and project activities and milestones, project schedules and budget allocation information. Information captured pertaining to projects should also be comparable with the indicator information to provide a view of the level of success achieved.

As the presentation of electronic POE is imperative during performance assessment, the automated system should support the **compilation** thereof. Effective monitoring can only take place if records of performance, targets, outputs and inputs are available and accessible. A POE will ensure the credibility of the system and speed up access to relevant supporting documentation. By uploading supporting documents that will serve as evidence, the integrity of the performance management system is ensured. A further advantage of the electronic portfolio of evidence is that it reduces internal auditing time.

**Support** internal auditing. Once the POE is uploaded per KPI/project/process, Internal Audit should be able to access the system to validate the performance and POE within the same view to ensure that time is saved during the auditing process. The overall function of the performance audit can be seen as a validation of how the municipality rates itself in terms of achievement. To achieve this function, the automated system should make provision for auditors to verify evidence and provide motivation in relation to the principles of good corporate governance.

### 6.5.3 Reporting



As mentioned, the MSA and the MFMA provide for a range of **reports** that have to be tabled at various stages throughout the financial year of the municipality. Due to the magnitude of information that is used to prepare and submit these reports, the municipality needs an automated system that is able to collate information and make it available in the correct format and on time for the reports to be submitted.

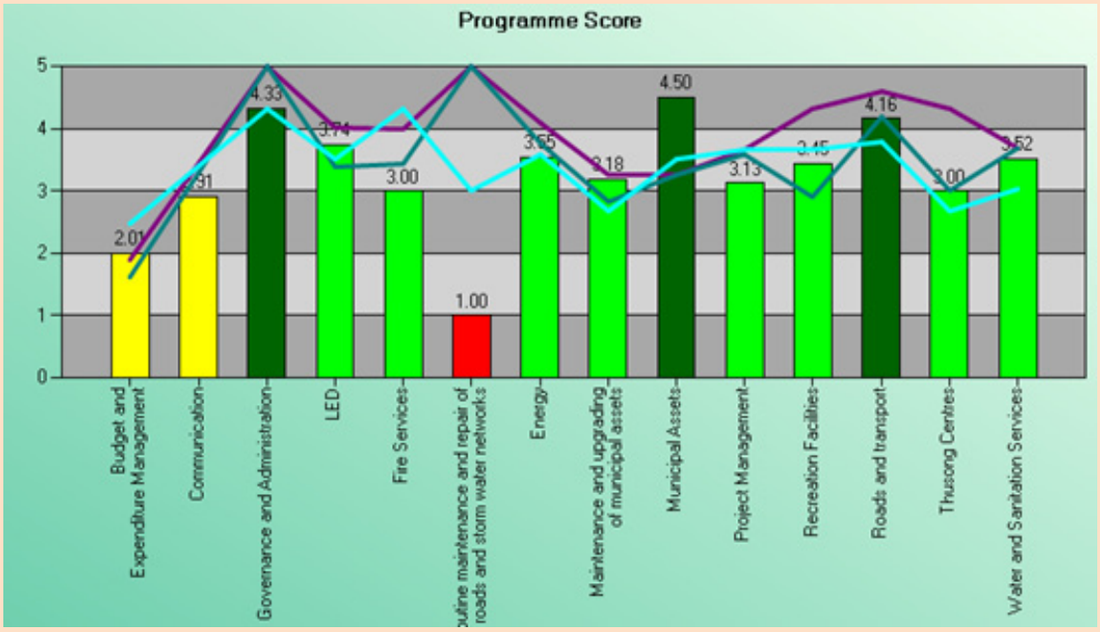
In terms of reporting capabilities, the automated system should provide authorised users with the ability **to compile reports** that are able to provide information on:

- The status of projects (at any given time)
- The progress of various programmes
- The areas of concern raised through the audit process to ensure application of the defined principals
- Performance of budget and expenditure per activity, project/process, priority area and IDP objective
- Data related to quality performance data, trend analysis and related performance reports aimed at facilitating faster decision-making

In addition, an automated system that supports reporting must be effective in **measuring** and **analysing** actual improvement or decline in programme performance by **comparing** related trends and projections against the annual targets. It is essential that the system can be customised so that measurement can be done against the annual target at any interval and the report presented that will provide an overview of performance.



An example of how this information can be displayed to support decision-making is presented in the above diagram taken from the Lebelela automated system.




To facilitate proper reporting on performance, the automated system must be able to **produce** graphs, exception reports, statistical information and scorecards which will not only indicate key performance trends, projections and alerts, but also identify important relationships between metrics as well as hidden cause and effect patterns, thus allowing for well-informed decisions and adjustments to implementation strategies and priorities.

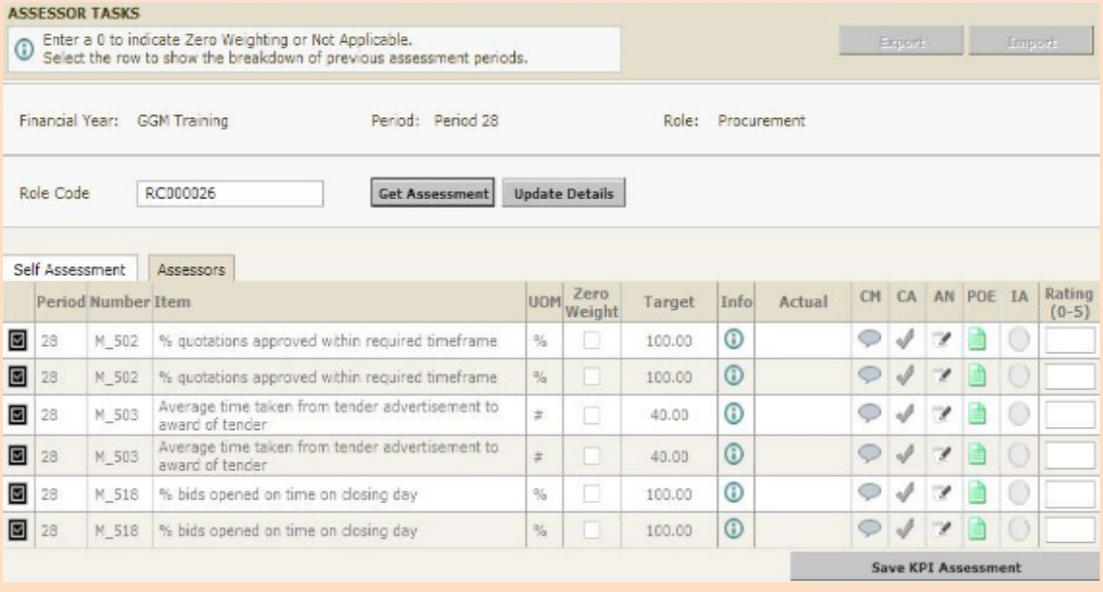
An example of how such information can be displayed to provide a quick overview of municipal performance is provided in the diagram taken from the Lebelela automated system.




## 6.5.4 Evaluation

As the fourth and final phase of performance management, evaluation requires managers, officials and stakeholders to evaluate the performance information and learn lessons from the past to make decisions on how to approach the future. Within the performance management system, an automated system should **support** and **include** an employee assessment module that allows employees to be assessed and rated by assessors directly on the system. Performance scores should be automatically calculated to determine performance. By linking employee work efforts with the organisation's outcomes, the employee and the organisation understand how that job contributes to the organisation achieving its strategic objectives.

An example of how this can be achieved with the Lebelela system is provided below.



***To conclude:*** In today's information age, there is an ever-increasing need to have reliable data at a manager's fingertips to enable her/him to analyse performance and take corrective action in different time frames. Municipalities are furthermore required to report on performance regularly. This requires a growing need for data management and the use of IT systems in the municipal environment.

The use of automated systems can lead to more effective performance management as they offer the following advantages:

- Time-saving/increased productivity through methods including accessing data from a single, central repository and specialised software performing complex performance calculations.
- A web server layer should be utilised to ensure that the centralised data is easily accessible and retrievable via a web browser interface from any location and to enable the integration and real-time interfacing with other systems (data sources) utilising web service interfaces.
- Hyperlinks between similar data and information sources will ensure easy access to these data sources. Hyperlinks between documents can be followed to retrieve data of a similar nature, for example pertaining to all programmes/ projects related to a specific outcome within the PMS.
- Improved data integrity as software reduces human interventions.
- Analysing Data through graphs and "what-if" scenarios will improve decision-making
- Management tools that specialise in managing, measuring and monitoring of performance to ensure that accurate decisions can be accessible at the click of a button.
- Enhanced communication can be assured by integrating the automated system with users' email systems, allowing for feedback on performance and receiving comments on it.

The cost of the system is not the primary arbiter of how effective it will be. The system must respond to the way in which the municipality goes about conducting other "systems" or processes for performance management.

## 6.6 Implementing and effective M&E System

An M&E system is critical to the successful implementation of a performance management system. Listed below are 6 components which are critical to the success and the sustainability of the M&E system in the various departments of a municipality:




- Demand
- Clear Roles and Responsibilities
- Trustworthy and Credible Information
- Accountability
- Capacity
- Human resource issues

**a) Demand**

It is possible to create and build demand for monitoring and evaluation information:

- Build in a formal structure that requires regular reporting of performance results. Part of this is instituted by legislation, that is, MSA and MFMA instituting monthly, quarter yearly, half yearly and annual reporting.
- Publicise the availability of information, thereby encouraging ongoing demand for it.
- Make a practice of translating strategy into specific goals and targets. Those interested in the municipality's strategic direction will also take an interest in monitoring and evaluating progress against these associated targets.

**b) Clear Roles and Responsibilities**

- Establish clear, formal organisational lines of authority for collecting, analysing, and reporting of performance information.

- Issue clear guidance on who is responsible for which components of the M&E system and procedures – and build this into performance reviews.
- Build a system that links the central planning and finance functions with line functions, in order to establish a link between budget allocation cycles and the provision of M&E information.
- Build a system that has demand for results information at every level where information is collected and analysed, that is, there is no part of the system that information merely passes through without being used.

**c) Trustworthy and Credible Information**

- The system has to be able to produce results information that brings both good and bad news;
- The producers of results information need protection from political reprisals;
- The information produced by the M&E system should be transparent and subject to independent verification.

**d) Accountability**

- Information is transparent.
- All stakeholders have a role in ensuring that the information is timely, accurate, and accessible.
- Failure is not rewarded.
- Problems are acknowledged and addressed.

**e) Capacity**

- Sound technical skills are necessary for data collection and analysis.
- Managerial skills are demonstrated in strategic goal setting and organisational development.
- Existing data collection and retrieval systems are built upon.
- Financial resources are made available for monitoring and evaluation.
- Institutional experience is built upon.

**f) Human Resource issues**

Human resources must be managed with care in a M&E environment:

- Are you able to recruit and hold talented staff who can build and manage a new information system?
- Are you able to encourage high-calibre staff to venture into a new initiative?
- Will you have change agents among your staff? M&E can be a politically charged process. It must not be seen as a system to “check up” on staff, but as a tool for continuous improvement, and your M&E champions must be ready to manage a change process.
- Can continuous monitoring and evaluation training be provided for staff at all levels?
- Given staff turnover, how soon and how adequately can new staff be brought up to speed?




M&E should be seen as an opportunity to discuss problems openly, reflect critically and criticise constructively in order to learn what changes are needed to enhance impact.

Incentives need to be introduced to encourage use of performance information:

- Success is acknowledged and rewarded
- Problems are addressed
- Messengers are not punished

- Organisational learning is valued
- The performance appraisal process focuses on staff ability to learn and innovate as well as focusing on quantitative targets
- Data collectors and information providers are given feedback on the use of the data they provided, and how it contributed to the projects / programmes.

## 6.7 Conclusion

The successful implementation of a performance management system of a municipality requires that municipalities pay attention to institutional arrangements in the name of structures, systems and culture. Ideal institutional governance structures must be established to ensure that performance activities are conducted, monitored, reviewed and improved enabling the objectives set in the IDP to be achieved. Similarly, systems and processes (in the form of information technology) for various technical aspects need to be established for facilitating the measuring, scoring, assessing, analysing, interpreting and reporting on performance. All key stakeholders need to work on the cultivation of a culture that promotes performance.

**Unit 7: Applying Monitoring and Evaluation in Performance Management**

## Learning Outcomes

On completion of this unit, you will be able to:

- Explain the purpose of monitoring and evaluation as a management function.
- Analyse the policy framework instituting monitoring and evaluation.
- Link monitoring and evaluation to performance management.
- Develop reports aligned to monitoring and evaluation.

## Key Concepts

Monitoring and evaluation, performance management system, management, Government policy, reporting.

## 7.1 The Purpose of Monitoring and Evaluation as a Management Function

### 7.1.1 Overview of Organisational Management



Management can be defined as management is the process of setting and achieving the goals of the organization through the functions of management: planning, organizing, directing (or leading), and controlling.

A manager is hired by the organization and is given formal authority to direct the activity of others in fulfilling organization goals.

Management skills have changed over the years and the key skills needed now include:

- Goal setting and monitoring
- Planning
- Leading
- Organising
- Controlling
- Communication
- Appropriate motivation
- Giving and receiving feedback
- Coaching

### 7.1.2 Functions of management

Managers create and maintain an internal environment, commonly called the organization, so that others can work efficiently in it. A manager's job consists of **planning, organizing, directing, and controlling** the resources of the organization.

These resources include people, jobs or positions, technology, facilities and equipment, materials and supplies, information, and money. Managers work in a dynamic environment and must anticipate and adapt to challenges.

The job of every manager involves what is known as the functions of management: planning, organizing, directing, and controlling. These functions are goal-directed, interrelated and interdependent.

- **Planning** involves devising a systematic process for attaining the goals of the organization. It prepares the organization for the future.
- **Organizing** involves arranging the necessary resources to carry out the plan. It is the process of creating structure, establishing relationships, and allocating resources to accomplish the goals of the organization.
- **Directing** involves the guiding, leading, and overseeing of employees to achieve organizational goals.
- **Monitoring, evaluation and controlling** involves verifying that actual performance matches the plan. If performance results do not match the plan, corrective action is taken.

## 7.2 Introducing the Concept of Monitoring and Evaluation (M&E)

Monitoring and evaluation is the life-blood of sound and efficient planning and implementation. For it to add value to government work and to the broader process of social transformation, it should be based on objective measurements that reflect the ideals in our Constitution, that is to improve the quality of life of all South Africans and ensure that South Africa contributes to the creation of a better Africa and a better world. Below we explore the meaning of monitoring and evaluation.

### 7.2.1 Monitoring



Monitoring is the regular observation and recording of activities taking place in an organisation/ project or programme.

It is a process of routinely gathering information on all aspects of the organisation or project.

Monitoring is an integral part of day-to-day operational management to assess progress against objectives.

***Monitoring***

- It involves the tracking of inputs, processes, activities, outputs and outcomes against indicators, and the modification of these processes and activities as and when necessary.
- The aim of monitoring should be to support effective management through reports on actual performance against what was planned or expected.
- Monitoring tools are essentially used for the early identification of problems and the solving of these problems as and when they occur.
- Monitoring is based on information collected before and during the operations.
- The accuracy of the information collected for monitoring purposes, and ways to assess the accuracy of the information are important aspects of monitoring.
- Monitoring usually precedes, leads up to and forms the basis for evaluation, that findings from monitoring may be used as part of evaluation, but evaluation tools may also be used for monitoring.




Monitoring involves collecting, analysing, and reporting data on inputs, activities, outputs, outcomes and impacts as well as external factors, in a way that supports effective management.

Monitoring aims to provide managers, decision makers and other stakeholders with regular feedback on progress in implementation and results and early indicators of problems that need to be corrected.

It usually reports on actual performance against what was planned or expected.

### 7.2.2 Evaluation

Evaluation is a decision-making tool to be incorporated into the planning cycle and the performance management of an organisation.



Evaluation is a scientifically-based assessment of strengths and weaknesses of the design, implementation and the results of completed or ongoing projects, programmes, or methods of work to deliver services at specified points in time.

- Its aim is to help to improve these interventions.
- The main objective of evaluation is to supply information on lessons learnt from work already done to influence future planning.
- Evaluation is a systematic process with key indicators or criteria against which to evaluate the work done.
- Inputs, activities, outputs outcomes and impacts are components of the evaluation process. Ways to evaluate inputs, activities, outputs outcomes and impacts are essential components of monitoring and evaluation.
- Various phases of an intervention may need to be evaluated, for example evaluation of a project at a particular 'milestone', at the end of a financial year, or at the end of the entire project.
- Impact evaluation may need to take place at a specified period in time after a project has ended.




Evaluation is a time-bound and periodic exercise that seeks to provide credible and useful information to answer specific questions to guide decision making by staff, managers and policy makers.

Evaluations may assess relevance, efficiency, effectiveness, impact and sustainability. It can also be used to extract crosscutting lessons from operating unit experiences and determining the need for modifications to strategic results frameworks.

### 7.2.3 Links between monitoring and evaluation

Monitoring usually precedes, leads up to and forms the basis for evaluation. Findings from monitoring may be used as part of evaluation. Evaluation tools may also be used for further monitoring, and the same baseline data and/or benchmarks may be used for both processes.

| Monitoring | Evaluation |
|---|---|
| Monitoring: The routine tracking of the key elements of organisational/ programme/project performance, usually inputs and outputs, through record-keeping, regular reporting and surveillance systems as well as health facility observation and client surveys | Evaluation: Is the episodic assessment of the change in targeted results that can be attributed to the organisational/ programme or project/ project intervention. Evaluation attempts to link a particular output or outcome directly to an intervention after a period of time has passed. |

**Activity 6a**

| | |
|---|---|
|  | Group Activity<br><br>3 – 5 members |
| Time Allocation | 10 minutes |
| Activity Requirements | Define monitoring and evaluation (M&E) in the context of performance management. |

### 7.2.4 Monitoring and Evaluation (M&E) as a National Priority

Monitoring & Evaluation practices and insights are becoming ever more important in today's business and government landscape. The leadership of the country has clearly and unequivocally entrenched the notion of accountable governance, performance management and the importance of monitoring and evaluation in the form of target driven service delivery. The Government has committed themselves to effective service delivery and an ambitious set of development targets with clear timeframes, also at the provincial level.

The successful achievement of these targets and the meeting of outcome-based objectives as planned and budgeted for in terms of the Medium-Term Expenditure Framework (MTEF), require a collaborative and transparent national and provincial monitoring and evaluation system in support of both sound performance management and strategic management. The establishment and efficient functioning of a credible and effective government-wide monitoring and evaluation system has become an important component in the performance management system of the South African Government.




Monitoring and evaluation has been identified as pivotal to the fulfilment of the "People's Contract". In this process the many government departments, agencies, organisations and businesses have an important role to play.

Monitoring in the government-wide framework refers to a set of activity and milestone tracing techniques, all of which measure some aspect of government performance including the measurement of the current status and change over time (trend analysis) in any of the initiatives.

Monitoring tracks changes in services provided (outputs) and the desired results (outcomes), providing the basis for accountability in the utilization of resources. Monitoring can be put into place as a management tool that may be sustained over time. It can be used to improve initiatives by identifying aspects that are working according to plan and yielding positive results, while on the other hand it can identify those initiatives that need mid-course corrections.

### 7.2.5 Reasons for the introduction of Monitoring and Evaluation

The following are some of the reason for the introduction of Monitoring and Evaluation in South Africa and underlies why it is a national priority;

**1. Need to become effective in service delivery**

Local government's major challenge is to become more effective. Monitoring and evaluation processes can assist the local government in evaluating its performance and identifying the factors which contribute to its service delivery outcomes.

Monitoring and evaluation is uniquely oriented towards providing its users with the ability to draw causal connections between the choice of policy priorities, the resourcing of those policy objectives, the programmes designed to implement them, the services actually delivered and their ultimate impact on communities and government strategies, programmes and projects. It helps to provide an evidence base for public resource allocation decisions and helps identify how challenges should be addressed.

**2. Support policy making; budgeting and national planning**

Monitoring and evaluation tools can be used to support policy-making, especially budget decision-making (performance-based budgeting) and national planning. These processes focus on government priorities among competing demands from citizens and groups in society. Monitoring and evaluation information can support government's deliberations by providing evidence about the most cost-effective types of government activity.



Examples of this are different types of employment programmes, health interventions, or conditional cash transfer payments.




Monitoring and evaluation is widely viewed as a useful tool to help governments under fiscal stress reduce their total spending, by identifying programmes and activities which have relatively low cost-effectiveness.

Performance budgeting also helps governments prioritize among competing spending proposals. In this way, it is a vehicle to help them achieve greater value for money from their spending.

**3. Manage activities at sector, programme and project levels**

To help government ministries and agencies manage activities at the sector, programme, and project levels. This includes government service delivery and the management of staff. M&E identifies the most efficient use of available resources; it can be used to identify implementation difficulties.




**For example,** performance indicators can be used to make cost and performance comparisons (performance benchmarking) among different administrative units, regions, and districts. These comparisons can also be made over time which helps identify good, bad, and promising practices. This can prompt a search for the reasons for this level of performance. Evaluations or reviews are used to identify these reasons. This is the learning function of that can be attributed to M&E, and it is often termed “results-based management”.

**4. To increase accountability and transparency**

Monitoring and evaluation provides the essential evidence necessary to underpin strong accountability relationships, such as of government to the Parliament or Congress, to civil society, and to donors. M&E also supports the accountability relationships within government, such as between sector ministries and central ministries, and between ministers, managers, and staff. Strong accountability, in turn, can provide powerful incentives to improve performance.

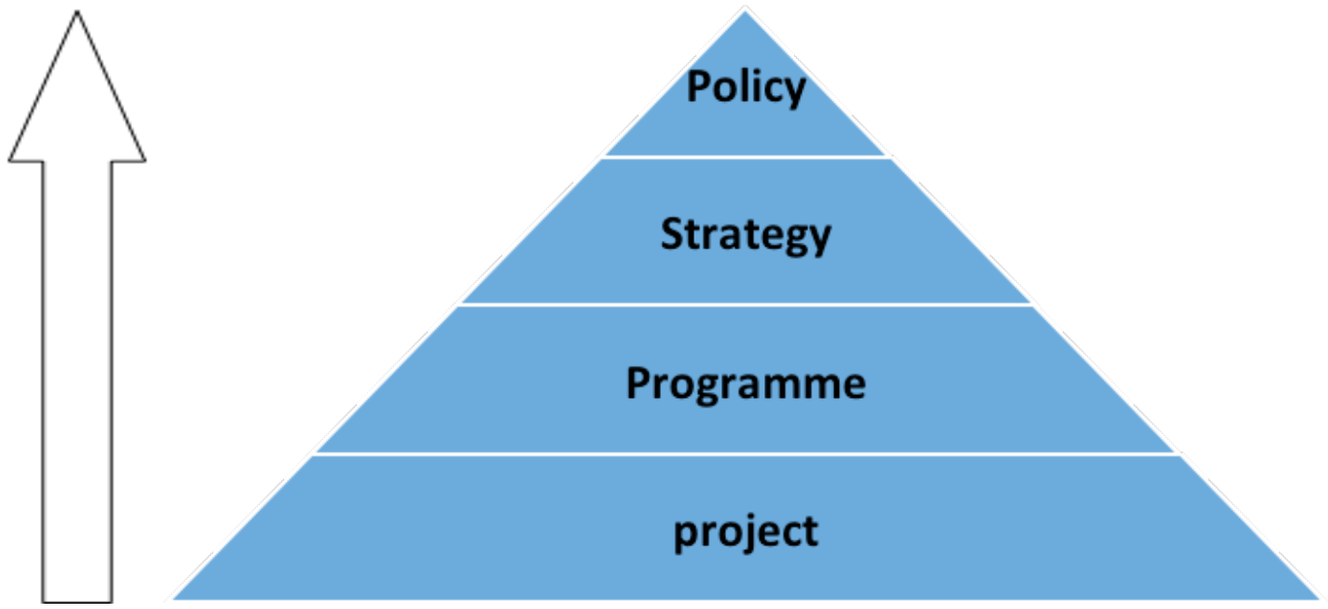
Over and above the above rationale for monitoring and evaluation is also closely related to many other aspects of public sector management, as listed below:

- Budgetary tracking systems and financial reporting.
- Inter-governmental fiscal relations including government decentralisation.
- Accountability institutions such as AG.
- Clarification and public reporting of programme goals, objectives and strategies necessary for achieving them.
- The setting of customer service standards by service delivery agencies and publicizing the extent to which they have been achieved.
- Anti corruption efforts. M&E can be used to identify the “leakage” of government funds, for example using public expenditure tracking surveys.

## 7.2.6 Monitoring and Evaluation as a Tool at Policy, Strategic, Programme and Project level

Policy, strategy, programmes and projects are interrelated. These elements should always communicate to each other to ensure coordinated processes and results. The diagram below illustrates the hierarchical relationship that exists among policy, strategy, programmes and projects.

*Figure 13 hierarchical relationship - policy, strategy, programmes and projects*






- **Policies** are statements of what government seeks to achieve through its work and why.
- **Strategies** are sequentially structured descriptions of how these policies will be enacted.
- **Programmes** (outside of the budgeting context) are high-level, big-picture plans showing how strategies will be implemented.
- **Projects** are specific conceptually-linked sets of activities intended to achieve particular results that will lead to the achievement of programme goals.

The hierarchy that exist among the above components entails that they feed into each other and must be interrelated. The process of monitoring and evaluation should also follow the hierarchy.

### 7.2.7 Monitoring and Evaluation at Policy Level



Broadly defined, **policy** means a set of procedures that has been agreed upon by an organization for dealing with other organizations or situations.

It often is used in the political sense to mean a set of principles that an administration employs to deal with another country or a particular domestic problem or issue.

M&E has a strategic role to play in informing policy making processes. Policy making, especially budget decision-making and national planning, focuses on government priorities among competing demands from citizens and groups in society. The information provided by monitoring and evaluation systems can support government's deliberations by providing evidence about the most cost-effective types of policy options.




The concept of '**evidence-based policy'** has been gaining currency over the last two decades. Literature suggests that this new interest, in bringing impartial evidence to the policy making process, comes in response to a perception that government needs to improve the quality of decision-making. Poor quality decision-making has been related to the loss of public confidence suffered in recent years.

Traditionally, politicians and policy makers operated based on the belief that their voters were unquestioning. However, citizens are less and less inclined to take policy views on trust. Policy-makers are increasingly asked to explain not just what policy options they propose, and why they consider them appropriate, but also their understanding of their likely effectiveness.

Policies exist either to improve certain situations or to prevent the occurrence of certain outcomes. The root cause(s) of a policy provides the seeds of potential indicators by which to measure progress in achieving the policy objective.




For example, if on-going negative media coverage of the interaction between any two levels of government leads to a policy of wanting to foster positive intergovernmental relations, then one indicator could be the type of media coverage in future.

## 7.2.8 Monitoring and Evaluation at Strategic Level

The M&E at strategic level is essentially a composite system that requires a number of supporting or contributory systems to be in place and fully operational before the overarching system can function. Strategic planning is the core of the work of an organisation.

Without a strategic framework you don't know where you are going or why you are going there. On the other hand monitoring and evaluation help improve performance and achieve results contained in the strategic plan. More precisely, the overall purpose of monitoring and evaluation is the measurement and assessment of performance in order to more effectively manage the outcomes and outputs known as development results. To ensure the successful execution of a clear and strategy there must be strong monitoring and evaluation tools.

These will basically ensure the following:

*a)* That senior management is following the strategic plan as stipulated.

*b)* That the strategic plan is realistic and progressive.

*c)* M&E also measures the progress in terms of attaining these strategic objectives.

### 7.2.9 Monitoring and Evaluation at Programme Level

Programme management is the coordinated organization, direction and implementation of a portfolio of projects and activities. Programmes and projects implement strategy and M&E seeks to ensure that programmes are focused on changing the way an organisation works. Programmes are generally directed by:

- a vision of a desired outcome and
- the benefits that outcome will bring.




Examples of municipal programmes include:

- Local economic development
- Water supply
- Electricity
- Roads and infrastructure
- Refuse removal

## 7.2.10 Monitoring and evaluation at Project level

Project implementation is the stage where all the planned activities are put into action. Before the implementation of a project, the implementers (spearheaded by the project committee or executive) should identify their strength and weaknesses (internal forces), opportunities and threats (external forces).

Monitoring is important at this implementation phase to ensure that the project is implemented as per the schedule. This is a continuous process that should be put in place before project implementation starts. As such, the monitoring activities should appear on the work plan and should involve all stakeholders. If activities are not going on well, arrangements should be made to identify the problem so that they can be corrected.

Monitoring is also important to ensure that activities are implemented as planned. This helps the implementers to measure how well they are achieving their targets. This is based on the understanding that the process through which a project is implemented has a lot of effect on its use, operation and maintenance.

When implementation of the project is not on target, there is a need for the project managers to ask themselves and answer the question, "How best do we get there?"




The above illustrates the close relationship between monitoring, planning and implementation. It demonstrates that:

- Planning describes ways which implementation and monitoring should be done;
- Implementation and monitoring are guided by the project work plan; and
- Monitoring provides information for project planning and implementation.

There is a close and mutually reinforcing (supportive) relationship between planning, implementation and monitoring. One of the three cannot be done in isolation from the other two, and when doing one of the three, the planners and implementers have to cater for the others.

### 7.2.11 Project Related Monitoring & Evaluation



A project is a series of activities (investments) that aim at solving particular problems within a given time frame and in a particular location.

The investments include time, money, human and material resources. Before achieving the objectives, a project goes through several stages. Monitoring should take place at and be integrated into all stages of the project cycle.

In any project, there is a relationship between indicators and the project plan. Indicators assist the project management team to assess, check and measure progress against the outcomes defined in the project plan either in the long run or short run. In most cases, indicators are linked to the project objectives contained in the project plan.




With respect to the programme on infrastructure development in a municipality, projects executed by this department can include:

- Construction of new roads (own-account or outsourced)
- Upgrade and addition to existing roads (own-account or outsourced)
- Refurbishment and rehabilitation to existing roads (own-account or outsourced)
- Repairs And maintenance to existing roads (own-account or outsourced)

The long-term goal of such projects may be to achieve enhanced mobility of communities and increased productivity arising from minimum time spent on roads.

Projects are designed to further long-term municipal goals, but their immediate objectives, at least, should be readily measurable.

**Activity 6b**

| | |
|---|---|
|  | Group Activity<br>3 – 5 members |
| Time Allocation | 10 minutes |
| Activity Requirements | Explain the roles of monitoring and evaluation in relation to performance management. |

## 7.3 Monitoring and Evaluation Guiding Policy Documents

Government's major challenge is to become more effective. M&E processes can assist the public sector in evaluating its performance and identifying the factors which contribute to its service delivery outcomes. M&E is uniquely oriented towards providing its users with the ability to draw causal connections between the choice of policy priorities, the resourcing of those policy objectives, the programmes designed to implement them, the services actually delivered and their ultimate impact on communities.

To achieve the above a number of frameworks have been put in place to standardise and increase awareness of M&E in the public sector. The policy framework is codified in the following policy documents:

- Policy Framework for the Government Wide Monitoring and Evaluation System,
- Framework for Managing Programme Performance Information

### 7.3.1 Government-Wide Monitoring and Evaluation System (GWM&ES)

In 2004, the Cabinet initiated plans for a monitoring and evaluation system for government, and the Presidency subsequently developed the Government-wide Monitoring and Evaluation Framework.

Although there are various existing systems gathering valuable information within government, there are also a number of gaps in the information needed for planning the delivery of services and for reviewing and analysing the success of policies.

The Government-wide Monitoring and Evaluation System seeks to enhance these systems by describing them and explaining how they relate to each other. The system has three components:

- Programme performance information,
- Social, economic and demographic statistics, and
- Evaluations.

The aim of the Government Wide Monitoring and Evaluation system is to contribute to improved governance and enhance the effectiveness of public sector organisations and institutions. The system objectives are the collection and collation, analysis and dissemination and the application of information on the progress and impact of programmes in order to ensure transparency and accountability, promote service delivery improvement and compliance with statutory and other requirements and a learning culture in the public sector.

#### Results to be achieved

The Government Wide Monitoring and Evaluation Framework aims at the following results:

***Result One:*** Accurate and reliable information on progress in the implementation of government and other public sector programmes is collected and updated on an ongoing basis.

***Result two:*** Information on the outcomes and impact achieved by government and other public bodies is periodically collected and presented.

***Result Three:*** The quality of monitoring and evaluation practices in government and public bodies is continuously improved.

#### Implementation Plan of the GWM&ES

The GWM&ES is essentially a composite system that requires a number of contributory systems to be in place and fully operational before the overarching system can function. These underlying systems will take time to design and implement fully. A phased approach has been adopted. Three phases were proposed as the results proposed in the original Cabinet submission of August 2004 have been met. Although each phase does not need to be complete before the next can start, significant progress will have to have been made for each project.

Monitoring and Evaluation is extremely complex, multidisciplinary and skill intensive; Government-wide monitoring and evaluation even more so, since it requires detailed knowledge both across and within sectors, and interactions between planning, budgeting and implementation. The picture is complicated even further when the machinery of government

is decentralised, with powers and functions being distributed across three spheres of government. It is precisely this complicated intergovernmental structure with diffuses powers and functions which requires strong M&E systems to promote coordination and prevent fragmentation.

### 7.3.2 Framework for Managing Programme Performance Information

This framework aims to:

- Clarify definitions and standards for performance information in support of regular audits of such information where appropriate
- Improve integrated structures, systems and processes required to manage performance information
- Define roles and responsibilities for managing performance information
- Promote accountability and transparency by providing Parliament, provincial legislatures, **municipal councils** and the public with timely, accessible and accurate performance information.




Performance information indicates how well an institution is meeting its aims and objectives, and which policies and processes are working. Making the best use of available data and knowledge is crucial for improving the execution of government's mandate.

Performance information is key to effective management, including planning, budgeting, implementation, monitoring and reporting. Performance information also facilitates effective accountability, enabling legislators, members of the public and other interested parties to track progress, identify the scope for improvement and better understand the issues involved.




The public sector delivers services essential to the well-being and development of the nation. To ensure that public service delivery is as efficient and economical as possible, all government institutions are required to formulate strategic plans, allocate resources to the implementation of those plans, and monitor and report the results.

Performance information is essential to focus the attention of the public and oversight bodies on whether public institutions are delivering value for money, by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required.

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Performance information also plays a growing role in budget allocations and will increasingly be used to monitor service delivery. This means the information must be accurate, appropriate and timely. The most valuable reason for measuring performance is that what gets measured gets done. If an institution knows that its performance is being monitored, it is more likely to perform the required tasks - and to perform them well. In addition, the availability of performance information allows managers to pursue results-based management approaches, such as performance contracts, risk management, benchmarking and market testing.

### 7.3.3 Performance Management Indicators

Suitable indicators need to be specified to measure performance in relation to inputs, activities, outputs, outcomes and impacts. The challenge is to specify indicators that measure things that are useful from a management and accountability perspective. This means managers need to be selective when defining indicators. Defining a good performance indicator requires careful analysis of what is to be measured. One needs to have a thorough understanding of the nature of the input or output, the activities, the desired outcomes and impacts, and all relevant definitions and standards used in the field.




For this reason it is important to involve subject experts and line managers in the process.




A good performance indicator should be:

- **Reliable:** the indicator should be accurate enough for its intended use and respond to changes in the level of performance.
- **Well-defined:** the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.
- **Verifiable:** it must be possible to validate the processes and systems that produce the indicator.
- **Cost-effective:** the usefulness of the indicator must justify the cost of collecting the data.
- **Appropriate:** the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.
- **Relevant:** the indicator must relate logically and directly to an aspect of the institution's mandate, and the realisation of strategic goals and objectives.

### 7.3.4 Integrating Monitoring and Evaluation Systems into Other Processes

M&E are important management tools to track your progress and facilitate decision making. While some funders require some type of evaluative process, the greatest beneficiaries of an evaluation can be the community of people with whom your organization works. By closely examining your work, your organization can design programs and activities that are effective, efficient, and yield powerful results for the community.




Effective M&E systems are built on good planning and budgeting systems and provide valuable feedback to those systems. How M&E processes relate to planning, budgeting, programme implementation, project management, financial management and reporting processes should be clearly defined.

M&E roles and responsibilities should be embedded in job descriptions and performance agreements to link individual performance to the institutional M&E system.

Previous units have spent time to explain these relationships.

The institutional framework for reward and recognition (PMS) should take M&E achievements into account. Appropriate recruitment may be required to attract scarce M&E skills. Training for M&E should be part of the institution's skills development strategy. An effective retention strategy is also crucial to maximize staff continuity and preservation of institutional memory.




Besides the formal elements of an M&E system, equally important is the informal "culture" of the organization.

- Is the managerial culture defensive, blaming and dismissive of M&E findings?
- Or are M&E findings regarded as an opportunity to explore problems openly and engage in critical but constructive introspection?

Much of this depends on the tone set by the political heads and senior officials of institutions. Without a management culture, which demands performance, M&E systems could degenerate into superficial "tick the checklist" exercises which comply with the letter of GWM&E Policy Framework but undermine its spirit.

## 7.4 M&E Plans and Implementation Structures

### 7.4.1 Local Integrated Development Plans




Local municipalities in South Africa have to use "integrated development planning" as a method to plan future development in their areas.

Apartheid planning left the local government with cities and towns that:

- Have racially divided business and residential areas
- Are badly planned to cater for the poor - with long travelling distances to work and poor access to business and other services.
- Have great differences in level of services between rich and poor areas
- Have sprawling informal settlements and spread out residential areas that make cheap service delivery difficult.



Integrated Development Planning is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.




An IDP is a super plan for an area that gives an overall framework for development. It aims to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in an area.

It should take into account the existing conditions and problems and resources available for development. The plan should look at economic and social development for the area as a whole. It must set a framework for how land should be used, what infrastructure and services are needed and how the environment should be protected.

All municipalities have to produce an IDP. The municipality is responsible for the co-ordination of the IDP and must draw in other stakeholders in the area who can impact on and/or benefit from development in the area. Once the IDP is drawn up all municipal planning and projects should happen in terms of the IDP. The annual council budget should be based on the IDP. Other government departments working in the area should take the IDP into account when making their own plans.

The executive committee or executive mayors of the municipality have to manage the IDP. They may assign this responsibility to the municipal manager. In most municipalities, an IDP co-ordinator is appointed to oversee the process. The IDP co-ordinator reports directly to the municipal manager and the executive committee or the executive mayor. The IDP has to be drawn up in consultation with forums and stakeholders. The final IDP document has to be approved by the council.

### 7.4.2 Develop Performance Indicators within Local Government

The process of developing KPIs is covered in section 4.7 unit 4 of this learner guide. Below are additional notes in support of this critical process.

#### Steps to develop KPIs

Even the best performance indicator information is of limited value if it is not used to identify service delivery and performance gaps, to set targets and to work towards better results. Determining a set of appropriate indicators depends on the nature of the institution's mandate. Developing suitable performance indicators is a complex task. Six key steps may be identified in this approach:

**Step 1: Agree on what you are aiming to achieve**

The first step in developing robust indicators is to agree on the problem you seek to remedy. Based on an understanding of the problem, what is the solution? Or expressed in measurable terms, what would society look like if the desired changes could be effected? This enables you to define a clear set of outcomes and impacts.

These are the institution's strategic goals and objectives, which need to be defined in measurable terms. Well-defined strategic goals and objectives provide a better basis from which to develop suitable programmes and projects, as well as appropriate indicators. Once an institution has decided on what is to be achieved, it then needs to decide what it needs to deliver to do so.

**Step 2: Specify the outputs, activities and inputs**

The second step is often the most difficult - specifying what the institution needs to do to achieve the desired outcomes and impacts. Having defined the outcomes and impacts the institution is aiming to achieve, there is need to examine:

- What parties are likely to be positively or negatively affected?
- What are their relevant characteristics? This information is important when planning interventions that will affect them and for designing appropriate indicators.
- What does the institution need to do in the short term to achieve the desired outcomes and impacts? These will be the outputs for the institution. The choice of outputs needs to take into account who will be affected by the intervention.
- What does the institution require to produce these outputs? These will be the activities the institution needs to undertake.
- What is needed to perform these activities? These will be the inputs the institution requires.

Specifying appropriate outputs often involves extensive policy debates and careful analysis. The process of defining appropriate outputs needs to take into consideration what is practical and the relative costs of different courses of action. It is also important to assess the effectiveness of the chosen intervention.

**Step 3: Select the most important indicators**

There is no need to measure every aspect of service delivery and outputs. Fewer measures may deliver a stronger message. Institutions should select indicators that measure important aspects of the service that is being delivered, such as critical inputs, activities and key outputs. When selecting indicators, it is important to keep the following elements in mind:

- Clear communication: the indicators should communicate whether the institution is achieving the strategic goals and objectives it set itself. The indicators should also be understandable to all who need to use them.
- Available data: the data for the chosen indicators needs to be readily available.
- Manageability: the number of indicators needs to be manageable.



**Line managers** would be expected to track a greater number of indicators pertaining to a particular programme than, say, the head official of the institution or the executive authority.

**Step 4: Set realistic performance targets**

When developing indicators there is always a temptation to set unrealistic performance targets. However, doing so will detract from the image of the institution and staff morale. Effective performance management requires realistic, achievable targets that challenge the institution and its staff. Ideally, targets should be set with reference to previous and existing levels of achievement (i.e. current baselines), and realistic forecasts of what is possible. Where targets are set in relation to service delivery standards it is important to recognise current service standards and what is generally regarded as acceptable. The chosen performance targets should:

- Communicate what will be achieved if the current policies and expenditure programmes are maintained

- Enable performance to be compared at regular intervals - on a monthly, quarterly or annual basis as appropriate
- Facilitate evaluations of the appropriateness of current policies and expenditure programmes.

**Step 5: Determine the process and format for reporting performance**

Performance information is only useful if it is consolidated and reported back into planning, budgeting and implementation processes where it can be used for management decisions, particularly for taking corrective action. This means getting the right information in the right format to the right people at the right time. Institutions need to find out what information the various users of performance information need, and develop formats and systems to ensure their needs are met.

**Step 6: Establish processes and mechanisms to facilitate corrective action**

Regular monitoring and reporting of performance against expenditure plans and targets enables managers to manage by giving them the information they need to take decisions to keep service delivery on track. The information should help managers establish:

- What has happened so far?
- What is likely to happen if the current trends persist, say, for the rest of the financial year?
- What actions, if any, need to be taken to achieve the agreed performance targets?
- Measuring, monitoring and managing performance are integral to improving service

## 7.5 A Monitoring and Evaluation System

### 7.5.1 Introduction

M&E enhance the effectiveness of an organisation by establishing clear links between past, present and future interventions and results. M&E can help an organization to extract, from past and ongoing activities, relevant information that can subsequently be used as the basis for programmatic fine-tuning, reorientation and planning. Without M&E, it would be impossible to judge if work was going in the right direction, whether progress and success could be claimed, and how future efforts might be improved.

### 7.5.2 Monitoring and Evaluation Strategic Planning



A strategy is an overall approach, based on an understanding of the broader context in which you function, your own strengths and weaknesses, and the problem you are attempting to address.

A strategy gives you a framework within which to work, it clarifies what you are trying to achieve and the approach you intend to use. It does not spell out specific activities.



Strategic planning is projecting where your organisation expects to be in five, ten, or fifteen years and how your organisation will get there. It is a systematic planning process involving a number of steps that identify the current status of the organisation, including its mission, vision for the future, operating values, needs (strengths, weaknesses, opportunities, and threats), goals, prioritized actions and strategies, action plans, and monitoring plans.

A useful strategic plan exhibits many characteristics. Specifically, it should be:

1. **A set of priorities**. Setting priorities allows for the plan to be adjusted according to changing needs or resources.
2. **Achievable, measurable, and time sensitive.** Remember, it's better to do a few things well than many things poorly. The plan should contain goals that are measurable and have deadlines.
3. **Flexible and responsive to changing conditions**. The plan is a road map that may contain unforeseen detours such as unexpected crises, new opportunities, or changes in resources.

4. **Short and simple**. Plans that are more like a book will sit on a shelf. Keep it focused on the most important things to accomplish.
5. **A unit, not a menu**. A useful plan is not a wish book. Everything in the plan needs to be accomplished.
6. **The means to an end, not an end in itself**. The plan is the process by which it reaches its destination; it is not the destination.
7. **Based on a three- to five-year period.** The strategic plan should be a living document that has a one-year drop off and a new year added so that it always covers the same time period.

Strategic planning is the core of the work of an organisation. Without a strategic framework you don't know where you are going or why you are going there. On the other hand monitoring and evaluation help improve performance and achieve results contained in the strategic plan. More precisely, the overall purpose of monitoring and evaluation is the measurement and assessment of performance in order to more effectively manage the outcomes and outputs known as development results. There must be clear communication between strategic planning and monitoring and evaluation.

The main objectives of today's results-oriented monitoring and evaluation are to:

- Enhance organizational and development learning;
- Ensure informed decision-making;
- Support substantive accountability and organisational repositioning;
- Build country capacity in each of these areas, and in monitoring and evaluating functions in general.

### 7.5.3 Reporting Structures

Reporting is an integral part of monitoring and evaluation.



Reporting is the systematic and timely provision of essential information at periodic intervals.

Monitoring and evaluation take place at two distinct but closely connected levels:

- One level focuses on the **outputs**, which are the specific products and services that emerge from processing inputs through programme, project and other activities
- The other level focuses on the **outcomes** of the organisation and development efforts, which are the changes in development conditions that the organisation aims to achieve through its projects and programmes. Outcomes incorporate the production of outputs and the contributions of partners.

Two other terms frequently used in monitoring and evaluation are defined below:



**Feedback**: is a process within the framework of monitoring and evaluation by which information and knowledge are disseminated and used to assess overall progress towards results or confirm the achievement of results.

Feedback may consist of findings, conclusions, recommendations and lessons from experience. It can be used to improve performance and as a basis for decision-making and the promotion of learning in an organization.



**A lesson learned**: is an instructive example based on experience that is applicable to a general situation rather than to a specific circumstance. It is learning from experience.

The lessons learned from an activity through evaluation are considered evaluative knowledge, which stakeholders are more likely to internalize if they have been involved in the evaluation process. Lessons learned can reveal "good practices" that suggest how and why different strategies work in different situations—valuable information that needs to be documented.

## 7.6 Roles and Responsibilities: Policy Framework for the Government-wide

### Monitoring and Evaluation System

The table below shows the roles and responsibility of different stakeholders as per the Policy Framework for the Government-wide Monitoring and Evaluation System.

| WHO | WHAT |
|---|---|
| Legislators and councilors | As representatives elected by South Africa's voters, Government and all its structures are accountable to legislatures and municipal councils. Legislators and councilors must exercise consistent and informed oversight of the bodies accountable to them, using insight gained from M&E systems. |
| Executive authorities | Should use M&E findings in the political oversight of institutional performance and for ensuring that desired outcomes and impacts are achieved. Also provide the bodies to whom they are accountable with detailed regular reports on the institutions under their control. |
| Accounting officers and accounting authorities | Accountable for the frequency and quality of M&E information and the integrity of the systems responsible for its production and utiliation. They need to ensure that prompt managerial action is taken in relation to M&E findings. |
| Programme managers, other line managers and officials | Establishing and maintaining M&E systems, especially collecting, cap turing, verifying and using data and information. |
| Designated M&E units | Ensuring the implementation of M&E strategies by providing expertise and supports as well acting as a service hub for related initiatives. |

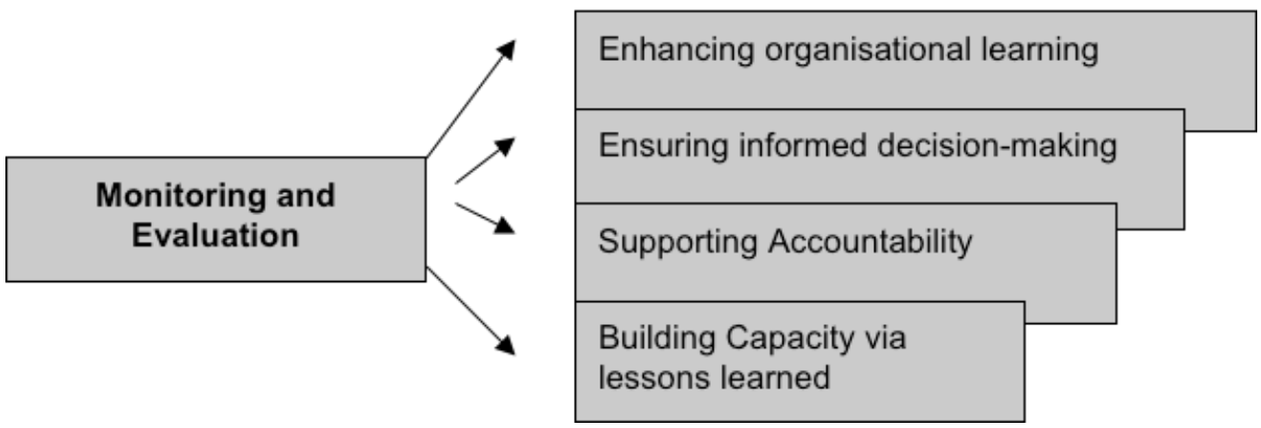
## 7.7 Setting up a Monitoring System

Below is a review of the steps involved in setting up a monitoring system.

- Identify desired outcome for the project
- Select indicators to measure outcomes
- Select targets and develop baseline information
- Identify who is responsible for
- each monitoring task
- Develop a monitoring programme for measuring each objective, specifying when the monitoring
- Gather information on a schedule of frequency that corresponds to the use that will be made of the data, and to the needs of users
- Determine how to report and use information
- Provide feedback to stakeholders and staff to determine progress towards meeting objectives, resultant changes, and community responses to change
- Set up evaluation

### Monitoring as a management tool

Monitoring focuses attention on the achievement of outcomes that are important to the organisation and its stakeholders, and it provides an impetus for establishing key goals and objectives that address these outcomes.




### Monitoring as a reporting tool

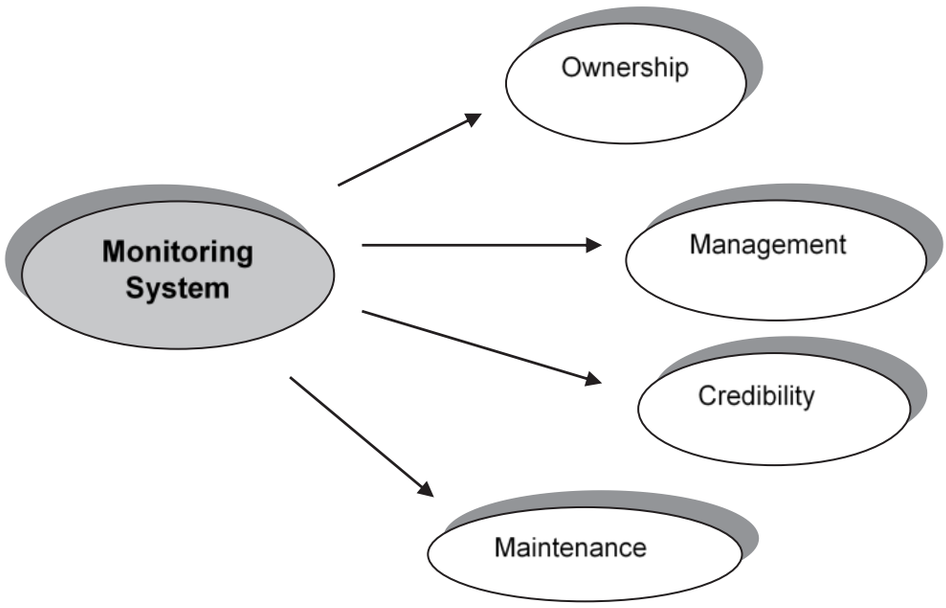
Monitoring information provides critical, continuous and real-time feedback on the progress of a given programme or project. Analysing and reporting performance findings is a critical step, determining what is reported, when it is reported, and to whom it is reported.

### 7.7.3 Techniques for Programme Monitoring

#### 7.7.3.1 Managing the monitoring system

The following four factors are vital if a monitoring system is to succeed:

*Figure 14 Factors influencing a monitoring system*




## a) Ownership

Ownership has to come from those at every level who use the system and demand performance information. Stakeholder ownership of data is critical; people must see the need for, or have a use for, the data collected.

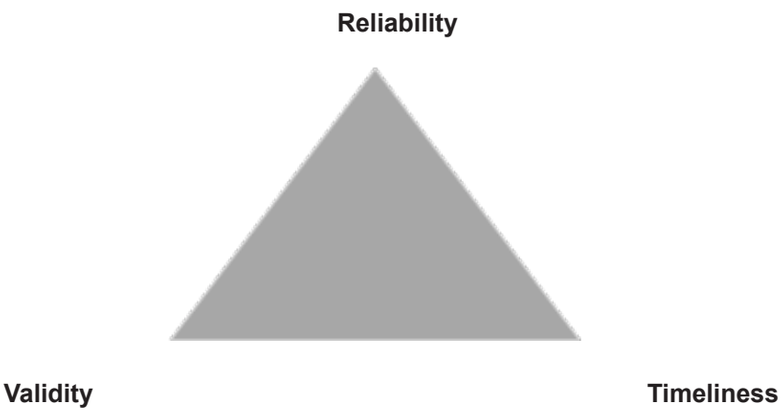
Every stakeholder group you identified in the programme planning phases has an interest in, and a right to know, how the programme is progressing. Some types of data will have more relevance for one group for another, and you need to clarify these data needs up front.

## b) Management

Management is critical to sustainability of the monitoring system. Data collection can be hampered or confused by overlaps, duplication, data received too late to have an impact on the decision-making process, and ignorance regarding what data is available. Monitoring systems must be continually managed. At the Programme monitoring stage, this is particularly important. It is the Coordinator's function to hound project teams for progress information, setting strict deadlines and enforcing compliance. Without detailed information from constituent projects, it is impossible to report meaningfully on Programme progress.

## c) Credibility

The credibility of monitoring data depends on three key criteria:



To the extent that any of these three criteria are absent, the credibility of the system will be compromised.

### (i) Reliability

Reliability is the extent to which the data collection system is stable and consistent over time; that is, measurement of the indicators is conducted in the same way every time.

### (ii) Validity

Indicators should measure, as directly and clearly as possible, actual and intended performance levels.

### (iii) Timeliness

Timeliness consists of three elements:

- *Frequency* (how often is data collected?)
- *Currency* (how recently was the data collected?)
- *Accessibility* (is the data available when needed, to support management decisions?)

Modern management requires good, timely information. Much of the onus for timeliness will fall on the programme Coordinator. As mentioned earlier, the coordinator's function is to extract accurate information from team leaders, coordinate that data, and disseminate it to appropriate individuals / groups.

To be credible, monitoring systems need to be able to report all data – both positive and negative (that is, good and bad). If bad news or failure to meet desired targets and outcomes is deliberately not reported, the system will lose credibility. In some instances political pressure may be brought to bear on data publication, as we have seen happen with local government. If negative news cannot be reported, or if the messenger is punished for reporting bad news, the system is compromised.

### d) Maintenance

Maintenance of monitoring systems is essential to prevent systems from degenerating or collapsing. It is important to know who will collect information and by when, and to keep the information flowing horizontally and vertically. Sufficient financial, human and technical resources must be provided; responsibilities should be clarified; relationships need to be established between actions and results; individuals need to know how their tasks contribute to the big picture. The programme Coordinator needs to maintain data collection tables carefully, so that staff changes do not result in information gaps.

## 7.8 Reporting

### 7.8.1 Reporting




It is important to remember that monitoring does not require a report process of its own!

Monitoring information is used to improve the accuracy and usefulness of implementation reporting. It informs the programme report process to improve efficiency and effectiveness through the inclusion of accurate and timely information, and early warning of potential problems.

**Benefits of implementing a monitoring and evaluation system**

Here again are some of the benefits of implementing a monitoring and evaluation system**.**




It is important to note that without a formal reporting system, most of these benefits will be lost.




**Benefits**

- In public service, monitoring and evaluation results respond to elected officials and the public's demands for accountability;
- They help formulate and justify budget requests;
- They help in making operational resource allocation decisions;
- They trigger in-depth examinations of what performance problems exist and
- what remedial actions are needed;
- They motivate personnel to continue making programme improvements;
- They monitor the performance of contractors;
- They provide data for special, in-depth programme evaluations;
- They increase the efficiency of service provision;
- They support strategic and other long-term planning efforts (by providing baseline information and later tracking progress);
- In public service, results communicated to the public help to build public trust.

**Activity 6c**

| | |
|---|---|
|  | Group Activity<br>3 – 5 members |
| Time Allocation | 10 minutes |
| Activity Requirements | Give practical examples of how the role of M&E enhances performance management. |

A municipal programme intervention e.g. LED, sanitation, refuse removal may often span several years because it is legislated. Circumstances change, staff members leave, yet it is expected that on an ongoing basis, the programme unit will be able to report how it is spending taxpayers' money and with what degree of success. With effective reporting, each municipal programme builds up its own knowledge base over time to provide a history of programme effort.



The monitoring system rests on the framework of the quarterly reporting system. These **reports** are scheduled in advance, and reports are retained for future reference. The **reports** form a natural part of programme and project management, but the monitoring system provides critical input in the form of hard facts concerning progress made.

These hard facts are used to highlight deviations from the original plan, and they are used to guide recommendations on the way forward. The quarterly report generally follows a standard format, as per municipal guidelines and reporting.




When presenting performance data, bear in mind the following:

- Data should be presented in a clear, understandable format;
- Only the most important data should be presented;
- Acronyms and jargon should be avoided
- A minimum of background information should be provided - just sufficient to establish the context;
- Major points should be stated up front;
- Findings and recommendations should be organised around key outcomes and their indicators;
- Detailed data should be placed in the appendix.

## Oral Presentations

These may be used alone, but are often used in conjunction with a written report. The oral presentation, like the written one, should be tailored to the audience.




Remember to consider:

- Who is the audience?
- What should they remember from your presentation?
- How much time do you have?
- What resources are available for delivery of the presentation?
- What handouts should be provided?
- The structure of your presentation: "(i) Tell them what you will tell them; (ii) tell them; (iii) tell them what you told them."

## Visual presentations




"How we report our results is often the difference between creating a tiny ripple or making a proper splash"

Wholey, Hatry and Newcomer 1994

Charts, graphs and maps are useful in clarifying your findings to the recipients of the information.

- The purpose of graphs and tables is to describe and compare.
- They have excellent impact and visual interest;
- They simplify the message;
- They encourage acceptance and retention of the information;
- They show the big picture.

While clarity and simplicity are key in presenting a graph or table, provide supporting data in the appendix to demonstrate how you arrived at the big picture.

### 7.8.2 Legislative requirements for reporting

The Municipal Planning and Performance Management Regulations (2001) set out in detail requirements for municipal PM'S. However, the regulations do not sufficiently constitute a framework that fully proposes how the system will work. Each component of the proposed legal framework in this document is strongly informed by the regulations.

The Municipal Budget and Reporting Regulations, 2009's primary purpose is to regulate the format and content of annual budgets, adjustment budgets and in-year reports to promote greater transparency and facilitate the alignment of policy priorities, plans, budgets and reports.

Both the MSA and the MFMA deal with the internal processes, consultative processes, performance systems and reporting and accountability mechanisms. Parliament devoted a great deal of effort to ensure that the two Acts are totally consistent with each other, leading to amendments to the MSA. It is important to ensure that the MSA is read with the two sets of amendments, as per the Local Government Laws Amendment Act (Act 51 of 2002) and the MSA Amendment Act (Act 44 of 2003).

Both the MFMA and MSA are built on the adoption by the municipality of a performance system. The budget of the municipality must contain performance targets and measurable objectives, which are set out at the beginning of the financial year (section 17 of the MFMA). Linked to these performance targets are the adoption of the annual SDBIP and annual performance agreement between the mayor (or executive committee) and municipal manager (refer to section 57 of the MSA as amended, and sections 53 and 69 of the MFMA). At the end of the financial year, the municipality must

publish an annual report, reporting on both its financial and non-financial performance. Whilst the MFMA focuses on financial performance (chapter 12), the MSA focuses on non-financial performance (section 46 of MSA as amended). The annual report will be considered by the municipal council using the process outlined in chapter 12 of the MFMA.

Chapter 12: Financial Reporting and Auditing of the MFMA (2003) addresses preparation and adoption of **annual reports** thus;

Every municipality must for each financial year prepare an annual report in accordance with this Chapter of MFMA. The Council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

The **purpose of an annual report** is **–**

- to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
- to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

The annual report of a municipality must include:

- the annual financial statements of the municipality, and in addition, if applicable, consolidated annual financial statements, as submitted to the AG for audit
- the AG"s audit report in terms of section 126(3) on those financial statements;
- the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;
- the AG"s audit report
- an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;
- an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 12(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;
- particulars of any corrective action taken or to be taken in response to issues raised in the audit reports
- any explanations that may be necessary to clarify issues in connection with the financial statements;
- any information as determined by the municipality;
- any recommendations of the municipality's audit committee; and
- any other information as may be prescribed.

### 7.8.3 Written Report formats

Municipalities will develop standard templates to facilitate the reporting of different types of information and projects. Other formats are standardised and issued by the National Treasury through regulations and circulars.

In this section, we provide generic guidelines for the compilation of reports.

**a) Executive summaries**

- These should be brief, and should be capable of being presented as a stand-alone document as well as a preliminary section of the standard written report. .
- Major findings and recommendations should be presented as bullet points.
- Readers can be referred to the report or to appendices for more detail.
- The executive summary should contain a synopsis of each of the sections found in the written report.
    - The purpose of the programme (Introduction)

- What we did (Description)
- What we found (Report)
- What we recommend (Conclusions)

**b) Written Reports**

there are various formats to written reports depending with the report, the audience, the project and the legislative requirements. Generically, these may be structured according to the following outline:

| Section | Contents |
|---|---|
| **Introduction** | • Purpose of the report<br>• Questions asked<br>• Programme background<br>• Programme goals & objectives |
| **Description**<br>(What we did) | • Focus<br>• Methodology<br>• Activities<br>• Who performed these<br>• When these took place |
| **Report**<br>(What we found) | • Data on findings<br>• Data connected to major programme components<br>• Problems / constraints<br>• Use of graphs and tables to summarise detailed data in the appendices. |
| **Conclusions**<br>(What we recommend) | • Conclusions connected to evidence<br>• Evidence presented to support recommendations |
| **Appendices** | • Includes detailed monitoring information |

A portion of the Report section should be devoted to discussing problems / constraints and the proven or suggested reasons for these. Monitoring data should be used to point out deviations from programme or project plans; the earlier problems are highlighted, the better the chance of their resolution. Recommendations for corrective action would be detailed in the Conclusions section.

## The Periodic Project Reports

The periodic project and programme reports differ only in the focus of the performance data. Whereas the project report will monitor activities to achieve a project result, the programme report will monitor progress on constituent projects towards the programme outcome. For projects, reporting periods can be based on project milestones, timeframes and the municipal calendar reporting or the municipal legislative reporting requirements.

## The Periodic Programme reports

The Coordinator's consolidated Programme report should be structured as shown in the table above, including the fact that the coordinator will be reporting progress on constituent projects that make up the programme. (The project report deals with activities which make up the project).

The table below may be completed and included in the report to summarise the status of various projects, before assessing the situation of the programme as a whole and making recommendations based on performance data.

a) Project monitoring analyses progress on project activities

**Project:** _____

**Progress report as at:** _____

| Activities | Outcome | Indicators | Baseline | Targets | Current Status | Comments |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |

b) Programme monitoring analyses progress on projects.

**Programme:** _____

**Progress report as at:** _____

| Projects | Outcome | Indicators | Baseline | Targets | Current Status | Comments |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |

Regular programme progress meetings provide opportunity to compare the programme implementation plan with the current status as reported by Managers of the various projects.



Each manager should be given a scheduled slot in which to present his status report, and a chance to explain deviations from the plan as highlighted by the monitoring system.

### 7.8.4 Monitoring and follow-up

Performance findings should be used to improve projects and programmes. Analysing and reporting data provides important, continuous information about the status of projects and programmes. It also creates opportunities to consider improvements in implementation strategies. The continuous stream of data yields significant information regarding trends and directions over time.

The more often measurements are taken, the less guesswork there will be regarding what happened between specific measurement points. More data points enable managers to track trends, and understand project and programme dynamics. There is usually a close relationship between frequency of measurement and measurement precision.




However, if the monitoring system is to be a useful management tool, it must be manageable. Do not overload the system with too many indicators, or you will find that too much time will be spent managing the system that produces the data, and not enough time will be spent using the data to manage effectively.

**The Monitoring Schedule**

A monitoring schedule is core component of the monitoring plan. Below is an example of a standard schedule.

| Meeting / Report | Purpose | Info required | Data required by: |
|---|---|---|---|
| Monthly monitoring reports | Assessment of progress | Review of inputs, outputs, indicators and problems | Programme staff, management |
| Quarterly Reports (Programme and project) | Progress evaluation and testing of assumptions | Update of implementation plans, improvement plan, and problem solving | Management and programme staff, Mayor. |
| Annual strategy planning event | Defines levels of input and output, results in an annual workplan, budget | Gantt chart, work agreements | Management, programme staff and institutional stakeholders. |
| Mid-term evaluation | Reviewing indicators, testing assumptions, responding to changes | Update on progress reports, adjustments to the project implementation plan, Programme plans | Management, programme staff, Mayor, Council, other stakeholders e.g. National Treasury. |

### 7.8.5 Retention and storage of periodic reports

The importance of efficient storage and retention systems cannot be over-emphasised, especially if the information is likely to be accessed on an ongoing basis to provide:

- A history of a specific programme / project intervention from start to conclusion;
- Useful case studies for later reference; and
- Opportunities for capacity building in the form of lessons learned.

Periodic (monthly or quarterly reports) provide an ongoing and comprehensive description of programme or project progress.



Document management systems are available to facilitate storage and retrieval, but it is also a relatively simple process to maintain a knowledge base from which documents may be accessed by project/programme code, sector or date.

### 7.8.6 Reporting back to stakeholders

A critical success factor in building a monitoring system is the ability to clarify and respond to information needs. There are a number of key issues are involved:

- There are information needs at both the project and programme levels
- Performance information must move horizontally and vertically in the organisation – often presenting a very real political challenge.
- Demand for performance information at each level needs to be identified.

It is particularly important that the various municipal departments keeps municipal and political structures informed regarding programme and project performance. Municipal officers are under pressure to be seen to be improving service delivery to the community, while the political aspirations of the mayor and councillors may depend on the success stories they are able to accumulate.

Let us expand a little on the fact that performance information needs to move both horizontally and vertically.




Horizontal sharing of information is crucial.

Management and officials need to know what information is being collected by their own organisation and by other organisations, yet many organisations find it very difficult to share information horizontally (the "silo effect"). Often there are strong political walls between one part of the system and another, between one department and another. In addition, bureaucratic incentives are almost always vertical; seldom are there incentives to share information horizontally.

The result is reduced performance, waste of resources, and failure to learn from experience. There is a far better chance of achieving results through partnership than by going at it alone. When resources are cut or diminished, partnerships make the remaining rands go further.

It is important to consider how to include stakeholder groups in the monitoring and evaluation process. Opportunities to actively incorporate stakeholders into the M&E process can include:

- Distributing draft and final monitoring and evaluation reports to stakeholders and inviting comment.
- Inviting stakeholders to contribute to the data gathering process.
- Asking stakeholders to become members of monitoring taskforces or committees.
- Involving stakeholders in the M&E decision-making process form the early stages.
- Interested stakeholders (e.g. treasuries) should receive copies of the periodic reports to keep them current with project or programme progress.

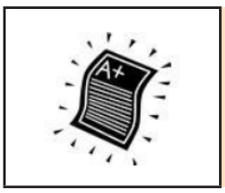



For monitoring to be effective, a single unit should be responsible for carrying out activities and for monitoring performance. Only in this way is accountability possible, and only in this way are improvements in efficiency and effectiveness enabled.

### 7.8.7 Project Management meetings

Periodic project management meetings provide an opportunity to analyse performance data to establish the current status of the project. The project manager should be given the opportunity to present his report, backing up his conclusions with performance data provided by the monitoring system. Where the difference between current status and target indicates a potential problem, the project manager is given the opportunity to explain both the possible reasons for the discrepancy and his recommendation for resolving the problem.

Outcomes reporting is a simple way of tracking progress, and the format below may be used:



Below is an example of a project that the health department of a municipality may undertake:

This project sought to fight an outbreak of hepatitis in a municipal area of a specific municipality.

| Outcome | Indicator | Baseline (percent) | Current (percent) | Target (percent) | Difference (percentage points) |
|---|---|---|---|---|---|
| A reduction in the percentage of individuals with hepatitis | Rates of hepatitis | 30 | 25 | 20 | -5 |

| Outcome | Indicator | Baseline (percent) | Current (percent) | Target (percent) | Difference (percentage points) |
|---|---|---|---|---|---|
| An increased percentage of children showing improved overall health status | Percentage of children with improved overall health status | 20 | 20 | 24 | -4 |
| An increased percentage of children showing four out of five positive scores on physical examinations | Percentage of children who show four out of five positive scores on physical examinations | 50 | 65 | 65 | 0 |
| An increased percentage of children showing Improved nutritional status | Percentage of children with improved nutritional status | 80 | 85 | 83 | +2 |

This format may be used to track progress against any project outcome, using specified indicators.

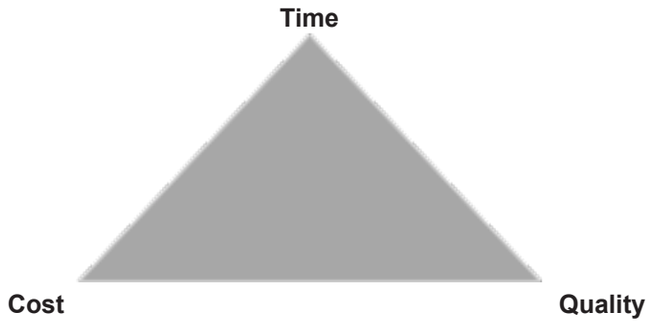
Note that targets are often broken down into defined time periods (annual, 6- monthly, quarterly etc). This allows the project manager to measure progress against an immediate and attainable target rather than to measure it against a distant and seemingly out-of-reach one.

## 7.9 Management of Project for Performance

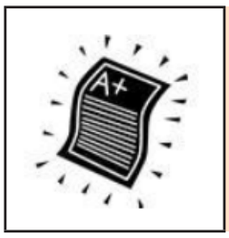
### 7.9.1 Deviation from project plans

Any deviation from the project plan can have a potentially serious impact upon the three factors of time, quality and cost.

***Figure 15 Delivery elements of a project***




Any effort to resolve a problem that affects one of the three parameters is likely to impact on the other two.




Examples:

- A quality issue is likely to require increased cost and/or time to rectify.
- Resolving a time delay will either increase costs (more manpower) or compromise quality.
- A cost over-run, requiring cut-backs, is likely to affect quality

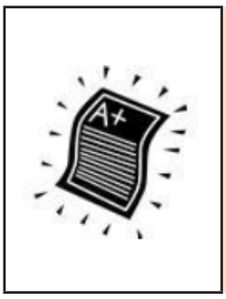
It is vital that deviations be discussed and that plans be developed to limit the impact of the problem as quickly as possible. Delays in implementation of one project plan may have potentially disastrous effects on other projects.



For example, a serious delay in building the municipal road to a site set aside to build a clinic, or in developing the necessary infrastructure (such as sanitation and water infrastructure), will delay the start of construction on the new clinic. An entire programme may be threatened because of the delay in one project on which several others are dependent.

### 7.9.2 Non-performance and follow-up action

Non-performance manifests itself in a variety of different ways.

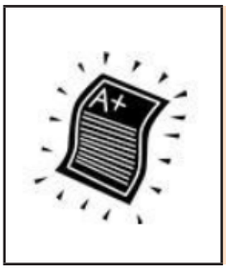


Special note should be taken of problems such as:

- Failure to compete planned activities on schedule, especially when subsequent activities are dependent on their completion
- Overuse or under-use of financial resources
- Manpower problems – a need for more finance
- Gaps in the report (items not reported on)
- Failure to submit reports on time

Problem areas must be discussed openly so that a decision can be taken to remedy the problem / reschedule activities / allocate further resources and so on.

Problems occur in any project, and the early warning system provided by efficient monitoring gives the programme / project Coordinator an opportunity to get things back on track. He should also be prepared to investigate problems reported by project leaders.



These may include:

- Lack of community support
- Political influence
- Poor management
- Conflict within the project team or the stakeholder groups
- And others

These problems are to a certain extent out of the control of the individual, and assistance is required from the programme management.

Non-performance may stem from a lack of competence, and the programme Coordinator should be aware of this and be ready to deal with it via additional training or coaching.

A poor attitude on the part of the individual may also cause performance problems. This may be resolved through discussion, but if not, the programme department may need to resort to disciplinary action. A careful record should be kept of all problems and remedial efforts, whether via management intervention, training, discussion or disciplinary hearings.

## 7.10 An Overview of Evaluation

Up to now, we have focused on Monitoring. Building a monitoring system to track performance is essential for managers, so that they receive ongoing information on the pace, magnitude, and direction of change. It also identifies unanticipated changes.

However, knowing that changes are or are not occurring does not help us to identify how or why the changes are occurring – and this is where evaluation comes in.



Evaluation is the assessment of a planned, ongoing, or completed intervention to determine its relevance, efficiency effectiveness, impact, and sustainability.




The intention is to incorporate lessons learned into the decision-making process.

Monitoring and evaluation support each other:

- Monitoring information can generate questions to be subsequently answered by evaluation;
- Evaluation can suggest new areas of monitoring to be initiated;
- Monitoring and evaluation may use the same information but make different use of it to analyse different things;
- Managers may use monitoring and evaluation in tandem, to help direct their initiatives.

Evaluation is only valuable if used to good effect. It should be carried out when:

- regular measurements of key indicators suggest a sharp divergence between planned and actual performance.
- resource allocations need to be made; evaluation information helps to highlight what is or is not working efficiently and effectively.
- similar pilot projects deliver conflicting evidence on outcomes, this clearly raises the question of what is going on….. is it a question of different approaches, different implementation, or different reporting measures?

## 7.11 Conclusion

M&E at a national, institutional, programme or project level is vital to ensuring that outputs, outcomes and impact objectives are met. M&E supports service delivery, policy making, managing activities, accountability and transparency. Its establishment is informed by various policies and system documents. M&E must be integrated with other processes such as strategic planning, budgeting, operational planning, performance management for effectiveness and efficiency in operations. M&E enhance the effectiveness of an organisation by establishing clear links between past, present and future interventions and results. Reporting is an essential integral part of monitoring and evaluation and requires specific reports to be generated in certain specific formats containing specific information.

M&E requires integration into the management of programmes and projects to manage time, cost and quality as well as other aspects of projects and programmes. M&E is thus an integral part of performance management in local government.

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# Annexure A: Core Competency Requirements

| Core Competency Requirements (CCR) | | |
|---|---|---|
| **Core Managerial and Occupational Competencies** | **Indicate choice** | **Weight** |
| **Core Managerial Competencies** | | |
| Strategic Capacity and Leadership | | |
| Programme and Project Management | | |
| Financial Management | compulsory | |
| Change Management | | |
| Knowledge Management | | |
| Service Delivery Innovation | | |
| Problem Solving and Analysis | | |
| People Management and Empowerment | compulsory | |
| Client Orientation and Customer Focus | compulsory | |
| Communication | | |
| Honesty and Integrity | | |
| **Core Occupational Competencies:** | | |
| Competence in Self-Management | | |
| Interpretation of and implementation within the legislative and national policy frameworks | | |
| Knowledge of developmental local government | | |
| Knowledge of Performance Management and Reporting | | |
| Knowledge of global and South African specific political, social and economic contexts | | |
| Competence in policy conceptualisation, analysis and implementation | | |
| Knowledge of more than one functional municipal field/discipline | | |
| Skills in mediation | | |
| Skills in Governance | | |
| Competence as required by other national line sector departments | | |
| Exceptional and dynamic creativity to improve the functioning of the municipality | | |
| Total | | 100% |

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# Annexure B: Example of a Performance Agreement

| | |
|---|---|
| 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: MSA 32 of 2000 ("the Systems Act"). The Employer and the Employee are hereinafter referred to as "the Parties".<br>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.<br>1.4 The Parties wish to ensure that there is compliance with Sections 57 (4A), 57 (4B) and 57 (5) of the Systems Act. |
| Purpose of this Agreement | The purpose of this Agreement is to:<br>2.1 Comply with the provisions of Section 57(1) (b), (4A), (4B) and (5) of the Act as well as the employment contract entered into between the parties.<br>2.2 Specify objectives in terms of the key performance areas and indicators and targets defined and agreed with the employee and to communicate to the employee the employer's expectations of the employee's performance and accountabilities in alignment with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of the municipality.<br>2.3 Specify accountabilities as set out in a Performance Plan, which forms an Annexure to the Performance Agreement.<br>2.4 Monitor and measure performance against set targeted outputs.<br>2.5 Use the Performance Agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job.<br>In the event of outstanding performance, to appropriately reward the employee.<br>2.6 Give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery. |
| Commencement and duration | 3.1 This Agreement will commence on _____and will remain in force until _____ thereafter 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.<br>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 one month after the beginning of each successive financial year.<br>3.3 This Agreement will terminate on the termination of the Employee's contract of employment for any reason.<br>3.4 The content of this Agreement may be revised at any time during the above-mentioned period to determine the applicability of the matters agreed upon.<br>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. |

| | |
|---|---|
| Performance Objectives | 4.1 The Performance Plan (Annexure A) sets out-<br><br>Key Performance Areas that the employee should focus on.<br>• Core competencies required from employees.<br>• The performance objectives, key performance indicators and targets that must be met by the Employee.<br>• The time frames within which those performance objectives and targets must be met.<br><br>4.2 The performance objectives, key performance indicators and targets reflected in Annexure A 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 Employer, and shall include strategic objectives; key performance indicators; targets; projects and activities that may include dates and weightings. A description of these elements follows:<br><br>4.2.1 The strategic objectives describe the strategic intent of the organisation that needs to be achieved.<br><br>4.2.2 The strategic performance indicators provide the details of the evidence that must be provided to show that a key objective has been achieved.<br><br>4.2.3 The target dates describe the timeframe in which the work must be achieved.<br><br>4.2.4 The weightings show the relative importance of the key performance areas, key objectives, and key performance indicators to each other. |
| Performance Management System | 5.1 The Employee agrees to participate in the performance management system that the Employer adopts or introduces for the Employee, management and municipal staff of the Employer.<br><br>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.<br><br>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.<br><br>5.4 The Employee undertakes to actively focus towards the promotion and implementation of the KPA's (including special projects relevant to the employee's responsibilities) within the local government framework.<br><br>5.5 The criteria upon which the performance of the Employee shall be assessed shall consist of two components, Key Performance Areas and core Competency Requirements, both of which shall be contained in the Performance Agreement.<br><br>5.5.1 The Employee must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPA's) and the Core Competency Requirements (CCRs) respectively.<br><br>5.5.2 KPA's covering the main areas of work will account for 80% and CCRs will account for 20% of the final assessment.<br><br>5.5.3 Each area of assessment will be weighted and will contribute a specific part to the total score.<br><br>5.6 The Employee's assessment will be based on his / her performance in terms of the key performance indicator outputs / outcomes 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<br><br>5.7 Manager's responsibilities are also directed in terms of the abovementioned key performance areas. In the case of Managers directly accountable to the Municipal Manager, other key performance areas related to the functional area of the relevant Manager can be added subject to negotiation between the Municipal Manager and the relevant Manager.<br><br>5.8 The CCRs will make up the other 20% of the Employee's assessment score. CCRs 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. Three of the CCRs are compulsory for Municipal Managers: |

| | |
|---|---|
| Evaluating Performance | 6.1 The Performance Plan (Annexure A) to this Agreement sets out :<br>6.1.1 The standards and procedures for evaluating the Employee's performance.<br>6.1.2 The intervals for the evaluation of the Employee's performance.<br>6.2 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.<br>6.3 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.<br>6.4 The Employee's performance will be measured in terms of contributions to the strategic objectives and strategies set out in the Employer's IDP<br>6.5 The Annual performance appraisal will involve:<br>6.5.1 Assessment of the achievement of results as outlined in the Performance Plan:<br>(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.<br>(b) Values are supplied for KPI's and Activities under each KPA as part of the Institutional Assessment. Based on the Target for an activity or KPI, over or under performance are calculated and converted to the 1-5 point scale automatically. These scores are carried over to the applicable employee's performance plan. During assessment, the employee has a chance to submit evidence of performance where a disagreement.<br>(c) The applicable assessment ratings and scores will calculate a final KPA score.<br>6.5.2 Assessment of the CCRs:<br>(a) Each CCR should be assessed according to the extent to which the specified standards have been met.<br>(b) An indicative rating on the five-point scale should be provided for each CCR.<br>(c) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.<br>(d) The applicable assessment rating calculator (refer to paragraph 6.5.1) must then be used to add the scores and calculate a final CCR score. |

<table>
<tr><td>Evaluating Performance</td><td>
6.5.3 Overall rating:<br><br>
An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcomes of the various weighted ratings contained in the performance Plan which represents the outcome of the performance appraisal.<br><br>
The assessment of the performance of the Employee will be based on the following rating scale for KPA's and CCRs:<br><br>
<table>
<tr><th>Rating</th><th>Terminology</th><th>Description</th><th>% Score</th></tr>
<tr><td>5</td><td>Outstanding performance</td><td>Performance far exceeds the standard expected of an employee at this level.</td><td>167</td></tr>
<tr><td>4</td><td>Performance significantly above expectations</td><td>Performance is significantly higher than the standard expected in the job.</td><td>133 - 166</td></tr>
<tr><td>3</td><td>Fully effective</td><td>Performance fully meets the standards expected in all areas of the job.</td><td>100 - 132</td></tr>
<tr><td>2</td><td>Performance not fully effective</td><td>Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job.</td><td>67 - 99</td></tr>
<tr><td>1</td><td>Unacceptable performance</td><td>Performance does not meet the standard expected for the job. 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.</td><td>0 – 66</td></tr>
</table>
6.6 For the purpose of evaluating the performance of the section 57 Manager reporting to the Municipal Manager, an evaluation panel constituted of the following persons must be established-
</td></tr>
<tr><td>Schedule for Performance Reviews</td><td>
7.1 The performance of each Employee in relation to his / her Performance Agreement shall be reviewed within the month following the quarters as indicated with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:<br><br>
First quarter: July – September 2010 (October 2010)<br>
Second quarter: October – December 2010 (January 2011)<br>
Third quarter: January – March 2011 (April 2011)<br>
Fourth quarter: April – June 2011 (July 2011)<br><br>
7.2 The Employer shall keep a record of the mid-year review and annual assessment meetings.<br><br>
7.3 Performance feedback shall be based on the Employer's assessment of the Employee's performance.<br><br>
7.4 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.<br><br>
7.5 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.
</td></tr>
<tr><td>Developmental Requirements</td><td>The Personal Development Plan (PDP) for addressing developmental gaps</td></tr>
</table>

<table>
<tr><td>Obligations of the Employer</td><td>9.1 The Employer shall:<br><br>9.1.1 Create an enabling environment to facilitate effective performance by the employee.<br>9.1.2 Provide access to skills development and capacity building opportunities.<br>9.1.3 Work collaboratively with the Employee to solve problems and generate solutions to common problems that may impact on the performance of the Employee.<br>9.1.4 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.<br>9.1.5 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.</td></tr>
<tr><td>Consultation</td><td>10.1 The Employer agrees to consult the Employee timeously where the exercising of the powers will have amongst others –<br><br>10.1.1 A direct effect on the performance of any of the Employee's functions.<br><br>10.1.2 Commit the Employee to implement or to give effect to a decision made by the Employer.<br><br>10.1.3 A substantial financial effect on the Employer.</td></tr>
<tr><td>Management of Evaluation Outcomes</td><td>11.1 The evaluation of the Employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.<br><br>11.2 A performance bonus of between 5% to 14% of the all-inclusive annual remuneration package may be paid to the Employee in recognition of outstanding performance to be constituted as follows:<br><br>
<table>
<tr><th>% Rating Over Performance</th><th>% Bonus</th></tr>
<tr><td>130 - 133.8</td><td>5%</td></tr>
<tr><td>133.9 – 137.6</td><td>6%</td></tr>
<tr><td>137.7 – 141.4</td><td>7%</td></tr>
<tr><td>141.5 - 145.2</td><td>8%</td></tr>
<tr><td>145.3 – 149</td><td>9%</td></tr>
<tr><td>150 – 153.4</td><td>10%</td></tr>
<tr><td>153.5 – 156.8</td><td>11%</td></tr>
<tr><td>156.9 – 160.2</td><td>12%</td></tr>
<tr><td>160.2 – 163.6</td><td>13%</td></tr>
<tr><td>163.7 – 167</td><td>14%</td></tr>
</table>
<br>11.3 In the case of unacceptable performance, the Employer shall:<br><br>11.3.1 Provide systematic remedial or developmental support to assist the Employee to improve his or her performance.<br><br>11.3.2 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.</td></tr>
<tr><td>Dispute Resolution</td><td>12.1 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 –<br><br>12.1.1 In the case of Managers directly accountable to the Municipal Manager, a member of the municipal council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4) (e) of the Municipal Performance Regulations, 2006, within thirty (30) days of receipt of a formal dispute from the employee whose decision shall be final and binding on both parties.</td></tr>
</table>

| | |
|---|---|
| General | 13.1 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.<br><br>13.2 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.<br><br>13.3 The performance assessment results of the Municipal Manager must be submitted to the MEC responsible for local government in the relevant province as well as the national minister responsible for local government, within fourteen (14) days after the conclusion of the assessment.<br><br>Thus done and signed at ……..……on this the…… day of …… 2010...<br><br>AS WITNESSES:<br><br>1. _____ _____<br><br>EMPLOYEE<br><br>2. _____<br><br>AS WITNESSES:<br><br>1. _____ _____<br><br>MUNICIPAL MANAGER<br><br>2. _____ |

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# Annexure C: Timelines for Annual Reporting

| Activity | Legislative and regulation implications | Process Owner Role Player | Timeframe |
|---|---|---|---|
| Consideration of next financial year's Budget and IDP process plan. In-year reporting formats should ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the beginning of the Budget / IDP implementation period. | No Annual Report legislative or regulatory implications (Refer to MSA S41(1)(e)) | MM & CFO | July |
| Implementation and monitoring of approved Budget and IDP through the approved SDBIP commences (In-year financial reporting and quarterly performance reports). | No Annual Report legislative or regulatory implications (Refer to MSA S41(1)(e)). | CFO | |
| Finalise 4th quarterly performance report of previous financial year | No Annual Report legislative or regulatory implications (Refer to MFMA S52(d)). | MM & CFO | |
| Submit draft previous budget year Annual Report and evidence to Internal and external Audit including annual financial statements and financial and non-financial information[1]. | Except for the submission of annual financial statements as per section 126(1) of the MFMA, these steps also require, in addition, that a draft Annual Report is prepared. By implication it means that the Annual Performance report needs to be included as per section 46 of the MSA. The legislation currently does not make provision for the submission of an unaudited Annual Report or Annual Performance report in August. | CFO | |
| Municipal entities submit draft Annual Reports to MM. | | Entity managers | |
| Submit Unaudited Annual Report including annual financial statements and Annual Performance Report to the Audit/Performance Committee. | The administrative implications of one committee that assesses both financial and non-financial performance advances accountability | CFO | |
| Audit/Performance committee considers unaudited Annual Report of municipality and entities (where relevant). | | Audit committee | August |
| Mayor tables the unaudited Annual Report in Council. | The Annual Report submitted is still complying to the requirements of Section 121(3)(a-k) except that it is draft and will not include any of the AG reports as the auditing thereof is still in progress. It is proposed that municipal entities also submit draft Annual Reports excluding AG reports and comments[2]. | Mayor | |
| Municipality submits draft Annual Report including final annual financial statements and annual performance report to AG for auditing purposes – due 31 August. | | CFO | |
| Municipality submit their annual financial statements and annual performance report in new format as regulated in the Draft Circular 11; Annual Report Template and Guide | The submitted annual reports to the AG's Office will be in a standardised format and facilitate ease of comparison and benchmarking. | CFO / MM | |
| Commencement of IDP analysis of institutional, services and infrastructure provision, backlogs and priorities. Unaudited Annual Report as submitted to AG to be used as input into the IDP strategic phase process. Such information includes that of various entities incorporated into the information of the parent entity. | If the above process is followed, the draft Annual Report can add value to the IDP/Budget planning process for the next year. | Council | |

| Activity | Legislative and regulation implications | Process Owner Role Player | Timeframe |
|---|---|---|---|
| AG audits the annual financial statements, consolidated financial statements and annual performance report and submit an audit report to the accounting officer for the municipality / municipal entity. | It is proposed that instead of three months as indicated in Section 126(3)(b), that the AG submit an audit report two months after the receipt of statements from the municipality. | AG | September - October |
| Annual Report and oversight report is adopted to be used as input into public participating meetings for the IDP review process | | Council | September |
| The AG's reports are issued during the period of Sept – Oct. Once the AG audit reports have been issued at 31 Oct no further changes are allowed as the audit process has begun. | The last steps are similar to what is prescribed in legislation except for different timeframes. Except for tabling the audited Annual Report seven months after the end of the financial year, it is proposed to table it in November, 5 months after the end of the financial year. | MM | November |
| Mayor tables audited Annual Report and financial statements to Council | | Mayor | |
| Audited Annual Report is made public, e.g. on municipality's web site. The accounting officer of the municipality must – in accordance with Section 21(A) of the MFMA – make public the Annual Report and invite comments. | | IT Director Accounting officer | |
| Oversight committee assesses Annual Report. | | Oversight / MPAC Committee | |
| Council adopts Oversight report. | The entire process, including oversight reporting and submission to provincial legislators is completed in December and not in March. | Council | December |
| Oversight report is made public. | | MM | |
| Oversight report is submitted to relevant provincial legislators and treasury. | | Mayor | |



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