

2. PART TWO: ORGAISATIONAL PERFORMANCE MANAGEMENT

2.1 INTRODUCTION

In reviewing and implementing organisational performance management it is necessary to pay attention to the following three aspects, which are discussed in detail below:

- Performance planning;
- Performance measurement and analysis; and
- Performance reporting and reviews.

2.2 PERFORMANCE PLANNING

The review of the IDP constitutes the planning phase of organisational performance management and it is conducted in the following steps:

- Step 1: Analysis and strategic direction
- Step 2: Municipal budget policy statement
- Step 3: Development of performance measures
- Step 4: Develop SDBIPs
- Step 5:: Integration and approval

These steps are discussed in more detail below.

2.2.1 Step 1: Analysis and strategic direction

a) Identifying strategic issues through public participation:

Strategic issues represent development priorities that need to be addressed for the benefit of the collective group, or the community (not individuals). To facilitate the identification of these strategic issues the following list of possible strategic issues arranged under the national key performance areas is provided for consideration:

NATIONAL KEY PERFORMANCE AREAS	STRATEGIC ISSUES
1. Basic services	1.1 Access to water
	1.2 Access to sanitation
	1.3 Electricity
	1.4 Access to roads and storm water

NATIONAL KEY PERFORMANCE AREAS	STRATEGIC ISSUES
	1.5 Telecommunications 1.6 Community and public facilities 1.7 Solid waste disposal 1.8 Housing 1.9 Land use management systems
2. Social development	2.1 Education 2.2 Health 2.3 Social security 2.4 Community safety 2.5 Disaster management 2.6 Gender, youth and people with disabilities 2.7 Sports and recreation 2.8 HIV and Aids 2.9 Community and public facilities 2.10 Land reform 2.11 Environmental sustainability 2.12 Arts and culture 2.13 Cemeteries and crematoria
3. Economic development	3.1 Local economic development 3.2 Tourism planning 3.3 Agricultural development 3.4 Cooperatives and SMMEs 3.5 Public private partnerships 3.6 Business support and development
4. Institutional development and transformation	4.1 Batho Pele 4.2 Performance management 4.3 Human resources 4.4 Information technology 4.5 Administration
5. Good governance and public participation	5.1 Integrated development planning 5.2 Policy development 5.3 Public participation 5.4 Internal audit 5.5 Anti-corruption strategy
6. Financial management	6.1 Budgeting and reporting 6.2 Revenue enhancement 6.3 Expenditure control 6.4 Financial management

Although the above list of strategic issues could be similar in municipalities the projects and approaches to be followed will vary according to circumstances and it is therefore vitally important to consult communities as thoroughly as possible. These consultations will dictate what exactly needs to be addressed under the identified strategic issues.

Once the strategic issues have been identified it is good practice to prioritise them by determining the relative impact that a change in their status will have on the overall scenario in the community concerned. This can be done by means of a subjective survey conducted amongst those consulted by requesting them to respond to the following question:

On the given scale, please indicate your perceived impact / importance that addressing each of the identified strategic issue will have on the Community?

1 No impact	2 Little impact	3 Medium impact	4 Significant impact	5 Most impact
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The prioritised strategic issues will inform the rest of the planning, especially in attaching weights in the individual performance management system and in making budget allocations.

b) Surveys and opinion polls:

The following types of surveys and opinion can contribute significantly to performance enhancement:

- A customer satisfaction survey aimed at identifying areas where customers feel service delivery can be improved; and
- An internal organisational climate survey aimed at addressing concerns of staff with the view to improving the work environment that will in turn improve commitment and morale.

b) Diagnostic analyses:

A diagnostic analysis is aimed at assessing the Municipality's ability to deliver on its IDP objectives. The diagnostic analysis will ascertain the current level of organisational health of the Municipality by means of a rigorous self-assessment. The self-assessment process allows the organisation to identify its strengths and areas of improvement, to prioritise and plan improvement actions and to monitor the rate of improvement. Although various diagnostic tools are available for this purpose the following two have been especially developed for the Mkhambathini Municipality and are attached at Annexure B.

- A *Batho Pele* Fitness Test which can be used to ascertain the extent to which the Municipality, its departments and divisions are conducting their work in the "*Batho Pele* way" so that they can then address identified areas of improvement.
- The *Vuna Awards* criteria that can be used to identify and then address areas of improvement in preparation for these municipal service excellence awards.

e) Baseline indicators

It is important for a Municipality to establish accurate baseline indicators for basic services such as access to water, electricity, sanitation and solid waste removal. To establish these baseline indicators requires of a municipality to establish how many households in its area of jurisdiction have access to these services. Many municipalities rely on the census data for this purpose while others appoint service providers to conduct socio economic surveys to obtain more recent and accurate data. This baseline data makes it possible to set targets for addressing the backlogs over a given period and to track progress towards achieving national and international targets.

e) Strategic Planning:

Once the needs of the communities have been established it is necessary for the Municipal Council to develop a vision and a mission statement aimed at addressing such needs. The Council for the Mkhambathini Municipality formulated the following vision and mission:

VISION

By year 2020 Mkhambathini will be a sustainable developmental municipality with improved quality of life for its entire people in areas of basic services, social, economic and environmental development

MISSION

Mkhambathini Municipality commits to:

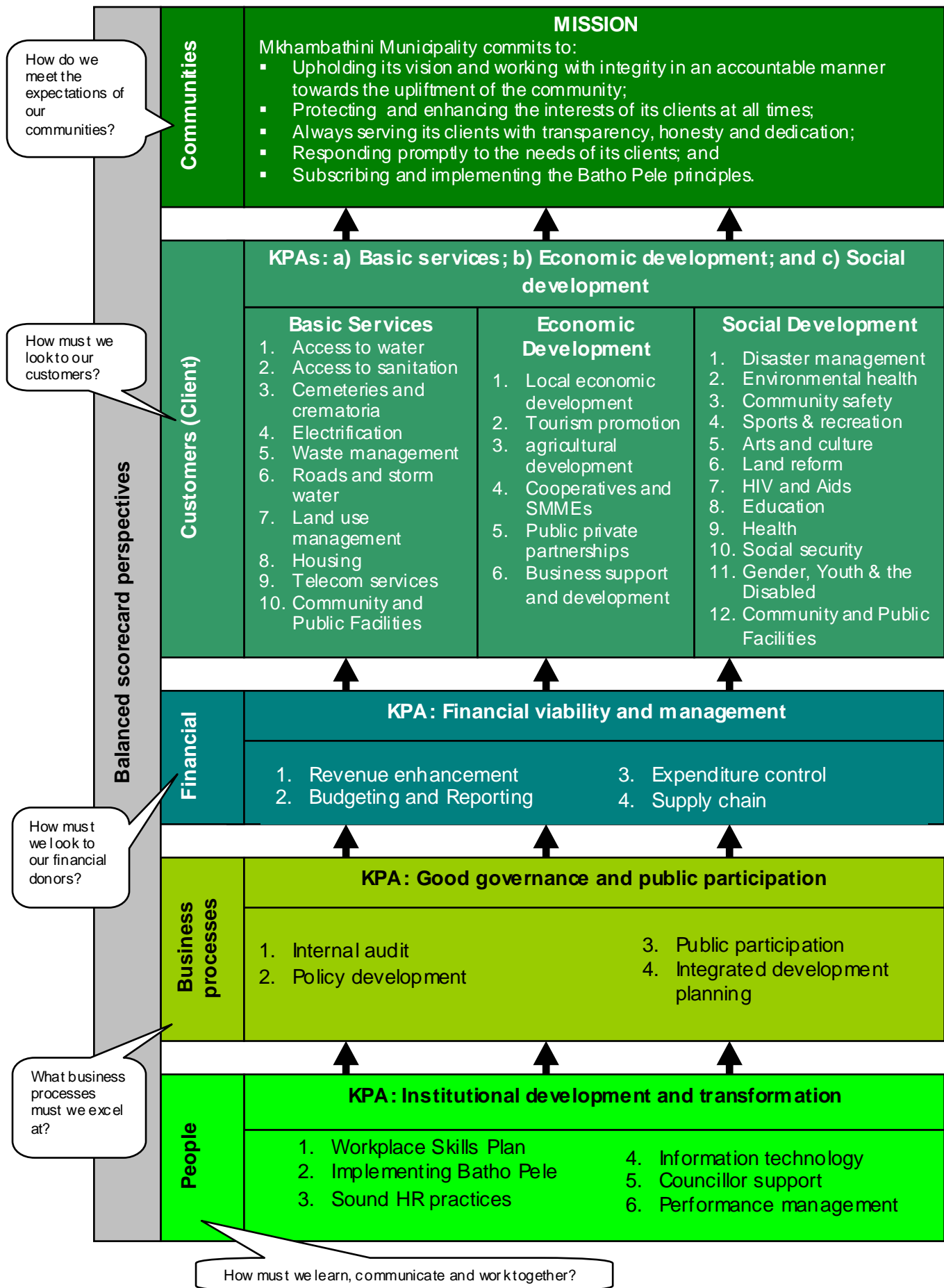
- Upholding its vision and working with integrity in an accountable manner towards the upliftment of the community;
- Protecting and enhancing the interests of its clients at all times;
- Always serving its clients with transparency, honesty and dedication;
- Responding promptly to the needs of its clients; and
- Subscribing and implementing the Batho Pele principles.

Out of the Council's vision and mission statements three high-level outcome indicators were identified, which, if achieved, will realise the vision and mission of the Municipality. It therefore follows that all other indicators contained in the SDBIPs must contribute towards the achievement of these outcome indicators that are reflected below:

- Improved quality of life;
- Sustainable development services provided; and
- Batho Pele principles comprehensively implemented.

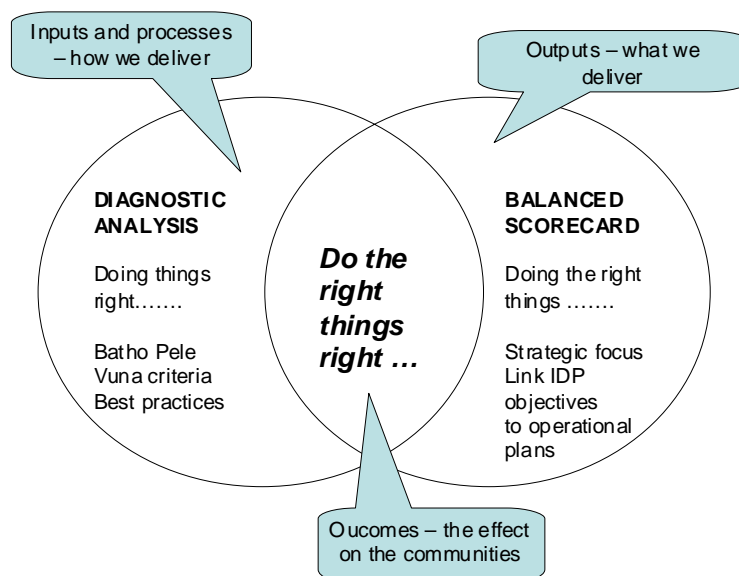
At its Human Resource Development Conference in March 2003, SALGA resolved that municipalities should use the balanced scorecard approach in managing performance. The balanced scorecard consists of an agreed set of performance measures that are linked to key strategies and priorities and that provides managers with a comprehensive view of overall performance. The balanced scorecard model that is proposed for the Mkhambathini Municipality combines the balanced scorecard perspectives with the national key performance areas in a strategy map as reflected below.

MKHAMBATHINI STRATEGY MAP: 2006/07



The advantage of using the balanced scorecard approach together with the national key performance areas is that it ensures that a balanced set of performance measures is put in place. A general tendency in the past was to have an over concentration of performance measures associated with the customer and community perspectives. This meant that not enough attention was being paid to enabler areas, or input and process indicators, that improve the Municipality's ability to deliver the promised services. This problem is now rectified by ensuring that there is a balance of performance measures under each of the perspectives of the balanced scorecard and the national key performance areas.

The advantage of combining the application of the balanced scorecard with a diagnostic analysis is reflected in the following self-explanatory diagram.



2. 2. 2 Step 2: Municipal budget policy statement

Indicative financial allocations need to be made to programmes that emanate from the strategic direction decided on above. This will also make it possible to revise the Medium Term Expenditure Framework (MTEF). In so doing it will also be necessary to take into account all anticipated revenue and expenditure. This will give direction to the more detailed planning to take place in subsequent steps.

2. 2. 3 Step 3: Development of performance measures

During this Step the performance measures that will be used to measure organisational performance need to be developed. In doing so it is necessary to take into account the funding and staff requirements, availability of the necessary skills and time constraints. Sometimes it will be prudent to use own resources and other times it will be more practical to outsource the service. Among the stakeholders that should be involved should be sector departments, the District Municipality and neighbouring municipalities in order to promote alignment and synergy. This Step is best carried out by means of a series of interactive workshops.

Any performance measures for the Municipality should be developed under the following national key performance areas (KPAs):

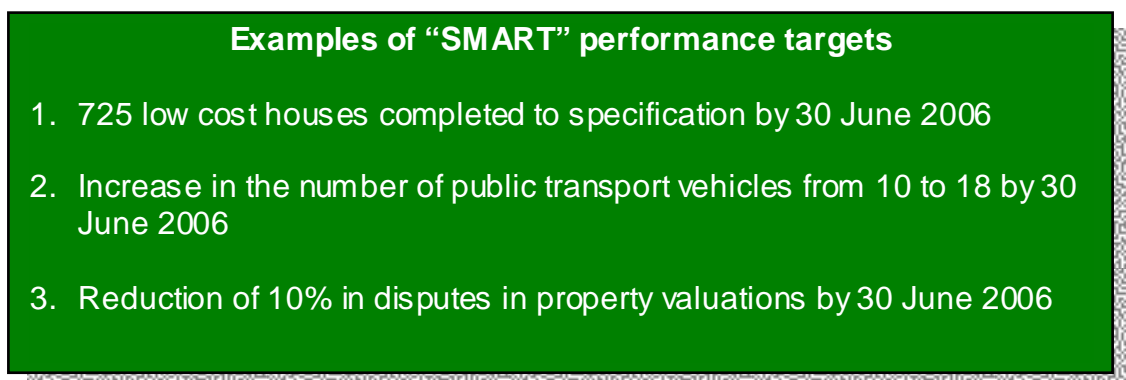
- Basic services
- Economic development services
- Social development services
- Financial viability and management
- Institutional development and transformation
- Good governance and public participation

An example of performance measures that could be developed under one of the above KPAs is given below.

KPA	: Financial viability and management
Strategic issue	: Income control
Objective	: To improve revenue collection
Strategies	: Review the billing system
KPI	: % of revenue collected
Project	: Implement a new billing system
Outputs (Performance targets)	: 85% of bills collected per month by 30/06/08
Activities	: <ol style="list-style-type: none"> a. Establish needs b. Develop specifications c. Purchase system d. Adapt as required e. Train users f. Parallel testing g. Test-run h. Implement system
Responsibility	: Record the team members name(s), or their designations, opposite the activities that they will take responsibility for
Target dates	: In consultation with the responsible team members determine and record the target dates for each activity

Points to note from the above example include, amongst others:

- An objective always starts with the word “To” and it is important to guard against having too many objectives, say not more than five per KPA.
- Projects need not only consist of capital projects such as water schemes and housing developments. They can also consist of softer, internal issues such as, “Review the Workplace Skills Plan.” This indicates all the work done in a municipality, whether it be services to communities or internal processes, needs to be included in the IDP.
- KPIs describe how progress towards achieving the objectives will be measured. Note that in this example the percentage has not been quantified as that will be done when setting the performance target, i. e. the output. Outputs need to be set with circumspection and they must comply with the “SMART” principle, i.e. specific, measurable, attainable, realistic and time-related as shown in the following examples:



Examples of “SMART” performance targets

1. 725 low cost houses completed to specification by 30 June 2006
2. Increase in the number of public transport vehicles from 10 to 18 by 30 June 2006
3. Reduction of 10% in disputes in property valuations by 30 June 2006

- The activities constitute input and process indicators, thus providing a healthy mix of indicators

The template attached at Annexure C, Appendix 1, should be used for developing the performance measures as described above.

2.2.4 Step 4: Develop SDBIPs

The compilation of an SDBIP simply involves a continuation of the planning process described under Step 3 and it should be done on the same template i. e. Annexure C, Appendix 1. Once all the work has been planned as described above with all the performance measures in place it is possible to determine the budget required for the achievement of the outputs. In addition, the activities with target dates will give a good indication of when the expenditure will be incurred, which will make it possible to calculate

the projected expenditure per output for each quarter of the financial year and enter it on the template. This will then constitute the SDBIP.

2.2.5 Step 6: Integration and approval

a) Public participation:

Public participation is vitally important in order to achieve credibility for the IDP, PMS and the Budget. The consultation process already commenced under Step 1 when communities were consulted on the strategic issues in their areas. They were further involved in the planning process by way of meetings with the IDP Representative Forum and stakeholders. Once a draft IDP document is available Councillors should address the communities on its content and progress being made. When the drafting of the IDP is completed it needs to be made available for public comment.

b) Aligning the organisational structure to the IDP:

The strategy map on page 20 above contains all of the strategic issues as contained in the IDP and which have been incorporated into a comprehensive set of performance measures as contained in the SDBIPs of the different municipal departments. The strategy map is useful in determining whether sufficient resources are allocated to all of the focus areas. It therefore informs the organisational structure and ensures that it is aligned to the IDP.

c) Communicating with staff:

Communication with staff about the need to manage performance is extremely important. Staff are often apprehensive about this due to a variety of misconceptions, and possibly past experiences. It is important to allay these fears and to communicate the true purpose of performance management. The staff need to understand that it is a management tool that is aimed at improving delivery to the communities – the people that we serve. The staff also need to understand that the Mkhambathini Municipality's approach is to implement a performance management and development system that will be used, amongst other things, to develop individual employees and help them to succeed and be successful.

d) Roles and responsibilities:

It is also important to clarify roles and responsibilities of employees and stakeholders. The roles and responsibilities of role players in the IDP review process are set out on pages 14 to 18 of the IDP Guide Pack II. The roles and responsibilities for the roll out for the PMS are reflected in the following table.

Role Players	Performance Planning	Performance Measurement and Reporting	Performance Reviews and Recognition
Citizens and communities	<ul style="list-style-type: none"> • Be consulted on needs • Develop the long-term vision for the area 		<ul style="list-style-type: none"> • Be given the opportunity to review municipal

	<ul style="list-style-type: none"> Assist in identifying priorities Participate in the identification of indicators and setting of targets 		performance and suggest new indicators and targets
Council	<ul style="list-style-type: none"> Facilitate the development of a long-term vision Develop strategies to achieve the vision Identify priorities Adopt indicators and set targets 		<ul style="list-style-type: none"> Review municipal performance bi-annually
Executive Committee	<ul style="list-style-type: none"> Give strategic direction and develop strategies and policies for the organisation Manage the development of the IDP Approve and adopt indicators and targets Communicate the plan to other role players 		<ul style="list-style-type: none"> Conduct the major reviews of municipal performance, determining where goals had or had not been met, what the reasons were and to adopt response strategies
Municipal Manager, DMM and SEMs	<p>Assist EXCO in:</p> <ul style="list-style-type: none"> Giving strategic direction and developing strategies and policies Manage the development of the IDP Ensure that the plan is integrated Identify and propose indicators and targets Communicate the plan to other role players 	<ul style="list-style-type: none"> Regularly monitor the implementation of the IDP and identify risk areas Ensure that regular monitoring (measurement, analysis and reporting) taking place Take corrective action as and when required 	<ul style="list-style-type: none"> Conduct regular reviews of performance Ensure that performance reviews at the political level are organised Ensure the availability of information Propose response strategies to EXCO
Departmental Managers	<ul style="list-style-type: none"> Develop service plans for integration with other sectors within the strategy of the organisation 	<ul style="list-style-type: none"> Measure performance according to agreed indicators, analyse and report regularly Manage implementation and intervene where necessary Inform decision makers of risks timeously 	<ul style="list-style-type: none"> Conduct reviews of service performance against plan before other reviews

e) Developing and disseminating a Citizens' Charter:

Section 44 of the Municipal Systems Act requires that municipalities publish and make known their KPIs and performance targets. Furthermore the *Batho Pele* White Paper states under the Principle of Information that, "Citizens should be given full and accurate information about the public services they are entitled to receive." The most practical way of achieving this is by drafting and publishing a Citizens' Charter.

Once SDBIPs have been completed all the information for producing a Citizens' Charter is available and as this is in the beginning of the financial year it is the ideal time to publish the Charter. A framework for the development of a Citizens' Charter is attached at Annexure C, Appendix 2.

Some useful tips when drafting a Citizens' Charter include:

- Use plain language – avoid technical terms and jargon;
- Give relevant and specific information – avoid idealistic propaganda, think about what customers need to know in order to make the best use of services provided;
- Provide Charters in customer's mother tongue and in a variety of media, according to their special needs. Try to reach all types of customers; and
- State standards in specific, measurable terms which will be meaningful to the customers, e.g. *"We will reply to your letter within 10 days"* instead of, *"We will reply to your letter promptly."*

2.3 PERFORMANCE MEASUREMENT AND REPORTING

Once the performance planning has been completed and departmental SDBIPs are in place they need to be implemented by executing the work in accordance with these plans. As the work is executed it needs to be continuously monitored and periodically measured and reported on. This is discussed under the following headings:

- Measurement and reporting on team performance; and
- Reporting to communities.

2.3.1 Measurement and reporting on team performance

Performance measurement needs to be integrated and internalised into the management process of the Municipality. In so doing progress towards the full implementation of the IDP can be monitored and tracked. Regulation 13 that deals with monitoring, measurement and review of performance requires that the mechanisms and processes for monitoring must:

- Provide for reporting to Council;
- Enable early detection of under performance; and
- Provide for corrective measures where under performance has been identified.

In order to comply with these mandates all team leaders and team members will have to assume responsibility for their particular set of activities and performance targets. For example, the team leader assumes responsibility for the performance targets (output indicators) while the team members take responsibility for activities (input and process indicators) that will contribute to the achievement of the performance target. These activities show progress towards achieving the desired output and must be monitored, measured and reported on monthly.

The reports received will need to be consolidated and submitted on an agreed date to the next higher level of authority. These dates need to be arranged in such a way that the Municipal Performance Report reaches the Mayor ten working days after the close of the month. This is in terms of the MFMA. The suggested format for this purpose is the SDBIP template that makes provision for “Progress with work and explanation of variances” at Annexure C, Appendix 1. This template includes the planning and reporting on the same form. The advantage of this is that planned and actual performance can then always be compared and this enables one to easily establish what still needs to be done and whether progress to date is satisfactory. This monitoring process will automatically guide managers and supervisors on all levels to take appropriate corrective action as and when required. This monitoring and measurement system will at the same time constitute an early warning system.

As already stated the measurement and reporting needs to take place on all levels, which include operational level, departmental level, strategic level and political level. The suggested intervals on the different levels are depicted below.

Read diagram from bottom upwards

Level	Reporting structure	Frequency
Political	Community	Annually
	↕	
	Council	Quarterly
Strategic	↕	
	Executive Committee	Monthly
	↕	
Departmental	Municipal Manager and MANCO	Monthly
	↕	
	Strategic Executive Managers and Departmental MANCOs	Monthly
Operational	↕	
	Executive Managers	Monthly
	↕	
	Managers	Monthly
	↕	
	Supervisors	Monthly

It is important that the reporting structure be used by all role players as a two way reporting channel. As progress against targets is reported to the next higher level the supervisors and managers need to compare current performance with targets, past performance and possibly even with other municipalities, where this information is available, to determine whether performance is up to standard. This amounts to benchmarking the Municipality against like municipalities. If it is below par they need to analyse the reasons and take steps to improve it.

2.3.2 Reporting to communities

The reporting system described above provides for quarterly municipal performance reports to be submitted to Council in terms of the MFMA. It also provides for a monthly report to be submitted to the Mayor in terms of section 54 (1), read together with section 71 of the MFMA. These reports will reflect progress against the performance targets which is the information that councillors need for giving meaningful feedback to their constituents, ward committees and other political structures.

As part of the performance planning at the beginning of the financial year a Citizens' Charter was developed and published setting out the Municipality's service delivery objectives for the year. At the end of the financial year, in terms of Section 46 of the Municipal Systems Act and the *Batho Pele* White Paper, a municipality must prepare a performance report to the citizens that reflects:

- The municipality's actual performance compared to planned performance for the year, together with a comparison with the performance of the previous year;
- The development and service delivery priorities and performance targets for the next year; and
- Measures that are going to be taken to improve services.

A proposed template for an annual report to the communities is attached at Annexure C, Appendix 3. After the first cycle, the service commitment charter and this report to the communities should be combined.

2.4 PERFORMANCE REVIEWS AND RECOGNITION

2.4.1 Evaluation and review

Section 47 of the Municipal Systems Act requires the MEC responsible for local government to submit an annual report on the performance of municipalities in the province to the provincial legislature, the Minister responsible for local government and the National Council for Provinces. In order to comply with this requirement all municipalities are required to submit annual performance reports to the MEC.

In compiling the Municipal Performance Report the departmental managements and the Municipal MANCO team should evaluate the effectiveness of current programmes and strategies for delivery in order to determine whether they are on track for delivering the desired outcomes. Should this not be the case they must decide on what corrective action

to take and implement such decisions. These decisions and actions will automatically impact on the next year's IDP.

2.4.2 Recognition of team performance

The Vuna Awards is an annual event, which is aimed at encouraging service excellence in municipalities by means of a prestigious awards scheme. The objectives of the Vuna Awards are to:

- Enhance performance and productivity;
- Stimulate innovation and creativity;
- Promote learning and best practices;
- Improve the profile of municipalities;
- Promote a culture of service delivery; and
- Meet stakeholder expectations.

In preparation for the Vuna Awards the Municipality should conduct an assessment of the performance of its departments and provide them with feedback so that they can address identified areas of improvement before the judging process for the provincial and national Vuna awards commences. This process will set in motion a cycle of continuous improvement as each department will be addressing its shortcomings in a systematic manner. It can then set a target for the year and at the end of the cycle progress can be measured and the whole improvement cycle can be repeated. The tool that can be used for assessment could be the diagnostic tool discussed in paragraph 2.2.1 (b) above.

The same principle can be adopted by the Municipality for recognising team performance within the municipality. Such a scheme would have to be a non-monetary team based awards scheme aimed at publicly recognising efforts, generating pride and saying:

- "Well done!
- Well done for improving services to your customers;
- Well done for listening to them;
- Well done for doing the best you can with what you have."

This initiative will be aimed at encouraging and motivating service delivery teams in the Municipality and to constantly improve on current levels of service delivery. The team based awards scheme should have the effect of gradually improving services as the assessment process will highlight the gaps between best practices and the current levels of service delivery, thereby encouraging continuous improvement. The ultimate goal is to reach a level that is on a par with the best in the world.