

# 1. PART ONE: APPROACH TO PERFORMANCE MANAGEMENT

## 1.1 DEFINITIONS

In this Policy Framework the following definitions will apply, which are as far as possible aligned with definitions contained in legislation, white papers and national and provincial policy directives and best practices:

**Vision:** A vision is a statement of what the municipality seeks to achieve. It is directed towards the future and briefly states the municipality's purpose and reason for existence.

**Mission:** A mission has to do with what the municipality does and can act as the focal point for ensuring that it remains focused on its core business.

**Outcome indicators:** They measure the long-term effects or results that different variables will have on the communities, which in turn will result in the achievement of the mission.

**Key performance areas:** These are the areas in which the Municipality must excel in order to accomplish the vision and mission.

**Objectives:** Objectives articulate the identified key development priorities under each of the key performance areas.

**Programmes:** They consist of a set of planned events, including projects, logically linked in timeframed sequences.

**Strategies:** Alternative courses of action based on changing strengths, opportunities, weaknesses and threats. Strategies represent the approach taken in implementing programmes and objectives.

**Projects:** Integrated packages of deliverables characterised by daily, weekly or monthly decisions and activities.

**Key performance indicators:** KPIs define what needs to be measured in order to gauge progress towards achieving the objectives.

**Output indicators:** They refer to the products produced or services rendered by processing inputs i.e. the end point of a set of activities.

**Performance targets:** Whereas KPIs express what needs to be measured, say, number of houses built, the performance target quantifies the KPI by expressing how many houses must be built, to what standard they must be built and by when they must be completed.

**Standards:** Level or degree of desired performance.

**Activities:** These are the inputs and processes or actions that are required to achieve the performance targets or outputs.

**Economy:** The cost effectiveness of services provided.

**Efficiency:** Efficiency measures how well resources are used to produce outputs.

**Effectiveness:** Effectiveness measures whether an activity (input) leads to an output and whether an output contributes to an outcome.

**Performance measurement:** A process of continuously analysing and measuring results in terms of indicators and targets in order to determine success or failure.

**Performance monitoring:** An ongoing process to assess whether targets are being met.

**Benchmarking:** A process whereby organisations of a similar nature use each other's performance standards and best practices as standards against which to measure themselves and improve performance.

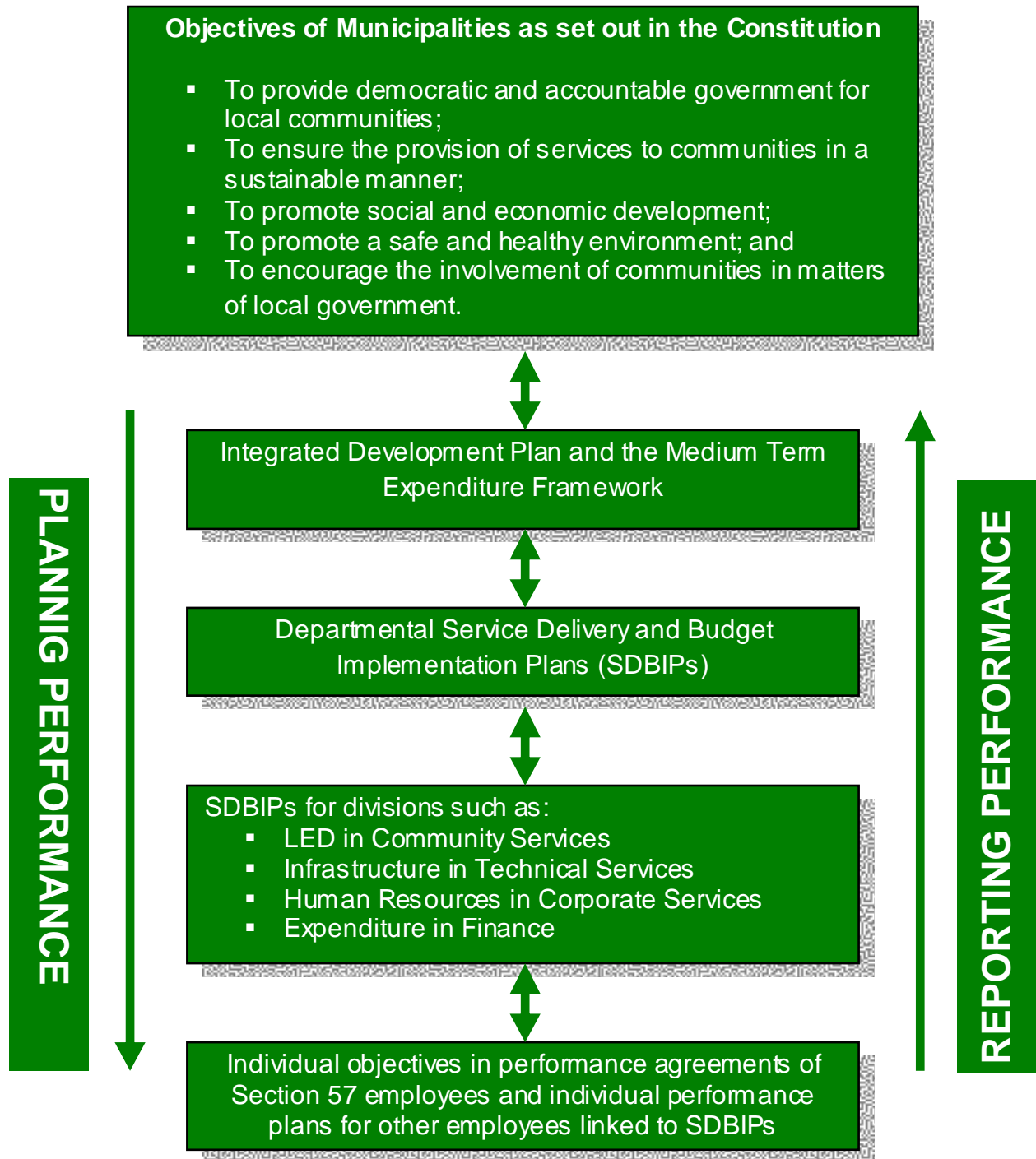
## 1.2 INTRODUCTION

The initial Performance Management System (PMS) was adopted by the Mkhambathini Municipal Council towards the end of 2006. The Municipal Systems Act and the Municipal Finance Management Act require that the PMS needs to be reviewed annually in order to align itself with the reviewed Integrated Development Plan (IDP), amend performance agreements of Section 57 employees and to keep abreast with the latest developments in the field of performance management.

Municipal management processes have now evolved to a point where the IDP, performance management and budgeting need to be managed as one integrated management process. Although they need to follow-on each other consecutively, they all form an integral and essential part of the macro management process, the one being dependent on the other. Factors that necessitate moving towards this approach include, *inter alia*:

- The implementation of the Municipal Finance Management Act (MFMA);
- The increasing need to track and report on IDP implementation; and
- The need to utilise development budgets to best advantage.

The framework for following this approach is depicted on the following page.



The main objective of this document is to explain how the above framework can be implemented successfully and in so doing to demonstrate that managing performance in the municipal environment involves an integrated approach to the IDP, performance management and budgeting.

## **1.3 LEGISLATIVE MANDATES**

The Acts, Regulations and White Papers that constitute the legal framework for the IDP process, municipal performance management and the SDBIPs are listed below and some of the more salient provisions are discussed briefly. In order to gain a more comprehensive understanding of the legislative mandates for managing performance in the municipal environment, however, readers should revert to the official source documents.

### **1.3.1 Municipal Systems Act (Act No 32 of 2000)**

#### **a) Integrated Development Planning**

Chapter 5 of the Municipal Systems Act (MSA) sets out the legal framework for integrated development planning. The purpose of this type of planning is to give effect to the development objectives of municipalities as set out in the Constitution. These objectives are listed in the framework contained in the Introduction.

Chapter 5 of the MSA is divided into the following four sections:

Part 1: General, dealing with issues such as the need for developmentally-oriented planning and co-operative government, as well as the purpose of the IDP;

Part 2: Contents of integrated development plans;

Part 3: Process for planning, drafting, adopting and review of IDPs; and

Part 4: Miscellaneous, dealing with issues such as the status of the IDP and giving effect to it.

Clearly all provisions of the Act are important, but special attention needs to be paid to those contained in Parts 2 and 3 above.

In going through Chapter 5 of the MSA it becomes clear that integrated development planning is a process through which municipalities prepare a strategic development plan which extends over a five-year period, and which is reviewed annually. The IDP is the principal strategic planning instrument which guides and informs all planning, budgeting, management and decision making processes in a municipality. The Municipal Manager is responsible for the implementation and monitoring of the IDP.

#### **b) Performance management**

Chapter 6 of the MSA sets out the legal framework for performance management. The purpose of performance management is to provide the means by which the implementation of the IDP can be measured, reported and evaluated. To this end the performance of the municipality as a whole and also the departments and business units within it need to be monitored, as does the performance of individual employees. This is provided for in the following sections of the MSA:

- Sections 38 to 49 provide the legislative mandates for organisational performance management, which are required to measure and report on progress in implementing the IDP in all components within the organisational hierarchy such as divisions, departments and the Municipality as a whole. Each of these components needs to have a SDBIP containing a comprehensive set of performance targets with budget allocations that it should achieve over the next financial year.
- Section 57 requires that the Municipal Manager and those officials reporting directly to the Municipal Manager (so-called Section 57 employees) to sign annual performance agreements. An individual performance plan must be attached to the performance agreement and it must include a set of performance measures that will enable actual performance of individuals to be assessed against planned performance. These individual performance plans must be aligned with SDBIPs discussed in the previous paragraph.

### **1.3.2 Municipal Finance Management Act (Act No 56 of 2003)**

Section 53 (1) (c) requires the Mayor to approve a Service Delivery and Budget Implementation Plan (SDBIP) within 28 days after the approval of the budget. In performance management terminology the SDBIP for the Municipality as a whole is the Strategic Municipal Scorecard and the departmental SDBIPs are nothing other than the departmental scorecards.

Section 53 (1) (c) also requires the Mayor to ensure that performance agreements of Section 57 employees comply with the requirements of the MSA, that they promote sound financial management and that they are linked to measurable performance objectives approved with the budget and included in the SDBIP.

Section 53 (3) requires that both the SDBIP and the performance agreements be made public fourteen days after approval.

Section 54 (1) requires the Mayor, *inter alia*, on a monthly basis, to check whether the Municipality's approved budget is being implemented in accordance with the SDBIP and, if necessary, to recommend revisions to Council.

Section 69 states that it is the Accounting Officer's (Municipal Manager's) responsibility to implement the approved budget and, within fourteen days after the approval of the budget to:

- Submit a draft SDBIP to the Mayor; and
- Drafts of the annual performance agreements for all Section 57 employees.

### **1. 3. 3 Local Government: Municipal Planning and Performance Management Regulations**

The abovementioned Regulations were passed by the Minister responsible for local government in terms of Section 49 of the Municipal Systems Act. These Regulations spell out the performance management responsibilities of municipalities in more detail. They deal with:

- a) The nature of the PMS;
- b) The adoption of the PMS;
- c) The setting of key performance indicators;
- d) The general key performance indicators published by the Minister, which reflect the object of developmental local government;
- e) The review of key performance indicators;
- f) Setting of performance targets;
- g) Monitoring, measurement and review of performance;
- h) Internal auditing of performance measurements; and
- i) Community participation.

In Regulation 7 (1) that describes the nature of the PMS it is stated that:

“A municipality’s PMS entails a framework that describes and represents how the municipality’s cycle and process of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.”

This document is aimed, *inter alia*, at complying with Regulation 7 (1) quoted above.

### **1. 3. 4 Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006**

These regulations set out how the performance of municipal managers should be uniformly directed, monitored and improved. The regulations address both the Employment Contract of municipal managers and managers directly accountable to municipal managers, as well as the Performance Agreement that is entered into between municipalities, municipal managers and managers directly accountable to municipal managers. These instruments, in combination, ensure a basis for performance and continuous improvement in local government.

The Employment Contract delineates the terms of employment for municipal managers and managers directly accountable to municipal managers. Similarly, the Performance

Agreement provides assurance to the municipal council of what can and should be expected from their municipal managers and managers directly accountable to municipal managers.

### **1.3.5 White Paper on Local Government (1998)**

The White Paper on Local Government has largely been superseded by the Municipal Systems Act and associated Regulations discussed above. The White Paper, however, marked an important milestone in introducing the philosophy of performance management and involvement of communities when it stated, *inter alia*, that:

“Involving communities in developing some municipal key performance indicators increases the accountability of the Municipality. Some municipalities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased and public trust in the local government system enhanced.”

### **1.3.6 Batho Pele (1998)**

The White Paper on Transforming Public Service Delivery (*Batho Pele*) includes the following eight principles for improving the level of service delivery:

a) Consultation:

Citizens should be consulted on the level and quality of the public services they receive and, wherever possible, should be given a choice about the services that are offered.

b) Service standards and targets

Citizens should be told what level and quality of public services they will receive so that they know what to expect.

c) Access

All citizens should have equal access to the services to which they are entitled.

d) Courtesy

Citizens should be treated with courtesy and consideration.

e) Information

Citizens should be given full, accurate information about the public services they are entitled to receive.

f) Openness and transparency

Citizens should be told how municipalities are run, how much they cost and who is in charge.

g) Best value

Public services should be provided economically and efficiently in order to give citizens the best possible value for money.

h) Dealing with complaints

If the promised standards of service are not delivered, citizens should be offered an apology, a full explanation, and a speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response.

## **1.4 DEFINITION AND OBJECTIVES OF PERFORMANCE MANAGEMENT**

The Department of Provincial and Local Government defined performance management as: “a strategic approach to management, which equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organisation in terms of indicators and targets of efficiency, effectiveness and impact.”

Apart from complying with the legislative requirements, the Municipality requires a PMS that will provide the tool for monitoring, reviewing and improving the implementation of the Municipality's IDP. In doing so it should fulfil the following objectives:

### **1.4.1 Facilitate increased accountability**

The PMS should provide a mechanism for ensuring increased accountability between:

- The citizens of the Municipality and the Municipal Council;
- The political and administrative components of the Municipality; and
- The Office of the Municipal Manager and each municipal department.

### **1.4.2 Facilitate learning and improvement**

The PMS must also provide a platform for learning and improvement. It should enable the Municipality to assess which approaches and methods are having the desired impact and in this way enable the Municipality to make the necessary improvements that will lead to more effective service delivery. It should form the basis for monitoring implementation, evaluating and improving the IDP.



### 1.4.3 Provide early warning signals

The PMS should provide managers and supervisors on all levels, the Municipal Manager, Portfolio Committees and the Executive Committee with early warning of performance targets that are not going to be reached and thus adversely affecting the implementation of the IDP. It is important that the system informs decision makers of areas of delivery that are lagging behind so that they can intervene and take corrective action as required.

### 1.4.4 Facilitate decision making

The PMS should provide suitable management information that will allow for efficient, effective and informed decision making, particularly on the allocation of resources.

The objectives listed above are not exhaustive, but succinctly summarise the intended benefits of the PMS. These intended objectives, together with other criteria, should be used to evaluate the PMS at the end of the financial year.

## **1.5 PRINCIPLES OF PERFORMANCE MANAGEMENT**

The following principles are proposed to inform and guide the review and implementation of the Mkhambathini Municipality's PMS:

### 1.5.1 Simplicity

The system must be a simple user friendly system that enables the Municipality to operate it with its existing resources with the involvement of external stakeholders.

### 1.5.2 Politically driven

The legislation requires the PMS to promote a culture of performance management in the political structures. It further states that EXCO must manage the development of the PMS and assign responsibility in this regard to the Municipal Manager. Once developed, EXCO must submit the PMS to Council for adoption. This means that Council is the owner of the system and must therefore oversee the implementation and improvement of the system and in the process inculcate a culture of performance improvement as is required by the Municipal Systems Act.

### 1.5.3 Incremental implementation

One of the most important lessons learnt by municipalities that have developed and implemented successful PMSs is that it is an incremental process. They point out that the most important thing to do is to start measuring and reporting performance and not to carry on developing the "best" system – start with a basic system, implement it and then improve it incrementally. It is not possible to transform overnight from close to non-

compliance to international best practice. In practice it is only possible to move gradually towards a high performance organisation.

#### 1.5.4 Transparency and accountability

The process of managing performance should be inclusive, open and transparent. Citizens should know how departments are run, how resources are spent, and who is in charge of particular services. Similarly all information on the performance of departments should be available for other managers, employees, the public and interest groups.

#### 1.5.5 Integration

The PMS should be integrated into other management processes in the municipality, such that it becomes a tool for more efficient and effective management rather than an additional reporting burden. It should be seen as a central tool for managing the affairs of the Municipality.

#### 1.5.6 Objectivity

Performance management must be founded on objectivity and credibility. Both the process of managing performance and the information on which it relies need to be objective and credible.