Mpumalanga Municipal Performance Management Framework

For Local Municipalities in Mpumalanga Province

FRAMEWORK

MPUMALANGA
THE PLACE OF THE RISING SUN

FOREWORD OF THE MEC
PERFORMANCE MANAGEMENT POLICY REVIEW FRAMEWORK

The department has made great strides towards monitoring performance of municipalities in the province in the discharge of their mandate for the delivery of basic services to our communities. Presentation of the performance management policy framework is therefore a culmination of the work that has been done on a continuous basis in monitoring the performance of our municipalities, identifying those that are doing well and also putting in place programmes and processes to assist and support those which are struggling.

The framework is indeed a cornerstone of the department's core mandate of monitoring, evaluating and reporting on the performance of our municipalities. This is a function executed by the department not only as a discharge of a constitutional injunction and a legislated duty but it is also driven by an attempt on the part of our department to better the lives of our people. This can only be achieved through the delivery of basic services in a manner that is sustainable and cost effective, and also by holding municipalities accountable, as we are required to do so in terms of section 152(1) of the Constitution. As organs of state we are further called upon to secure the well-being of our people in terms of section 41(1) (b) of the Constitution.

It is these constitutional imperatives and legislative prescripts which inform the performance management framework as envisaged in chapter 6 of the Local Government: Municipal Systems Act 32 of 2000 ("the Systems Act"). It is also on this basis that the performance management policy framework we are presenting here would then become an effective tool in the hands of the department in executing its oversight role of monitoring the performance of our municipalities. While it is envisaged that this performance policy framework would assist municipalities in meeting their obligations in terms of the implementation of performance management systems
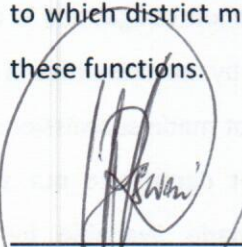
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and reporting on non-financial and performance information, it will also bring uniformity to municipalities in the development of their performance management system.

It is noted that most of our municipalities are struggling in meeting their obligations in respect of non-financial information and performance management. The inputs by municipalities in compiling the framework have been remarkably limited as most of them had not made submissions when an opportunity to do so was made available. This however, has not dampened our spirit as a department and with the little, yet invaluable, information made available by the few municipalities that had participated, and our own experiences and internal resources, we are fairly confident that the framework will have a positive and meaningful impact in taking municipal performance management issues to the next level. In the main, the challenges facing the department and the municipalities can be attributed, at least in part, to one or more of the following matters:

- There is no standard template or systems that would apply to all municipalities in the province. This brings about a degree of uncertainty on the part of municipalities as to what really is required of them.

- Most municipalities do not have the capacity and the necessary resources to establish and to develop an effective and sustainable performance management system.

- There are currently no measures in place to deal with issues of non-compliance by municipalities or to deal with those municipalities which do not provide information when requested to do so.

This list is not exhaustive but serves to highlight some of the challenges encountered by municipalities and the department. The framework would pave the way forward towards addressing these and other challenges facing the municipalities in the areas of performance management. It might well be that with time the framework may need to be enhanced but it does indeed constitute a reliable working point of convergence for both the municipalities and the department to work towards ensuring an effective implementation of PMS in municipalities. It is also submitted that all the other challenges, such as lack of capacity and resources, can also be

adequately addressed once the framework is in place. This will be achieved by, amongst other things, defining with closer precision the specific role of all the parties involved, such as the extent to which district municipalities can be expected to support local municipalities in the discharge of these functions.

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HON. RM MTSHWENI (MPL)

MEC FOR CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
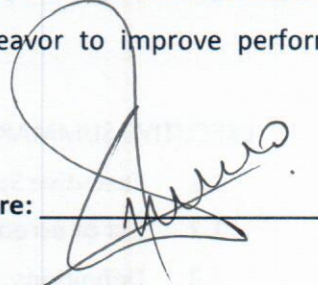
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OFFICIAL SIGN – OFF

This Performance Management Framework has been developed by the Mpumalanga Department of Co-operative Governance and Traditional Affairs in an endeavor to improve performance management in local government.

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Executive Authority

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1.1 Executive Summary

The Performance Management System framework is presented as a direct response by the provincial department of COGTA Mpumalanga, to the perennial challenges facing municipalities within the province in complying with their obligations regarding the management of performance as required by chapter six of the Local Government Municipal Systems Act 32 of 2000 ("The Systems Act").

While intended to serve only as a guide to the municipalities, the PMS framework seeks primarily to clarify the constitutional, legislative and policy framework that governs the requirements for performance management systems. It also clarifies the purpose and rationale for PMS systems within our municipalities.

A guide on the planning process as well as a detailed discussion on the performance management systems is also offered in order to assist municipalities with a better understanding of what is required of them. In order to ensure that municipalities can develop and implement effective and sustainable performance management system, the framework also ensures that this exercise is executed within the proper context by outlining the related institutional arrangements as well as the strategic documents that are key to the PMS, being the IDP, the budget and the SDBIP. A step-by-step guide on how to develop and implement a PMS within a municipality, including the development of key performance indicators as well as methods for measuring performance are then discussed.

Matters relating to performance review as well as reporting including capacity building have also received attention in this framework.

It is envisaged that municipalities will find a great measure of relief in having the framework as it clarifies all the concepts and also guides them on the implementation of performance management systems. This, the framework, has achieved while being cautious not to dictate to municipalities, as each municipality is required to establish a performance system that is

commensurate with its resources and best suited to its circumstances" (section 38(a)(i)&(ii) of the Systems Act.

1.2 List of acronyms

AFS   : Annual Financial Statements

AG   : Auditor General

COGTA : Department of Cooperative Governance and Traditional Affairs

FOSAD : Forum of South African Directors-General

IDP   : Integrated Development Plan

MEC   : Member of the Executive Council

MFMA : Local Government Municipal Finance Management Act 56 of 2003

MSA   : Local Government Municipal Systems Act 32 of 2000

MTEC : Medium Term Expenditure Committee

MTEF : Medium Term Expenditure Framework

KPA   : Key Performance Area

PMS   : Performance Management System

POA   : Programme of Action

SDBIP : Service Delivery and Budget Implementation Plan

SMART : Specific Measurable Attainable Realistic and Time bound

SP   : Strategic Plan

1.3 Definitions

In this framework any word used which has been assigned a particular meaning in the Systems Act shall bear a similar meaning in the framework.

"Annual report"

In relation to a municipality or municipal entity, an annual report means a report contemplated in section 46 of the Municipal Systems Act and section 121 of the Municipal Finance Management Act

"Auditor General"

Means the person appointed as Auditor General in terms of 193 (3) of the Constitution of South Africa and includes any person-

(a)   designated by the Auditor General to exercise a power or perform a duty of the Auditor General

"Accounting officer"

In a municipal context means a person appointed in terms of section 54A (1) of the Municipal Systems Amendment Act of 2011 to head the municipal administration

"Backlog"

A refers to goods or services that have accumulated overtime and are still not produced or delivered

"Basic municipal service"

Means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or environment

"Baseline"

Refers to an accurate quantitative data at a stated point in time which marks the start of the trend.

"Councilor"

Means a member of a council of a local or district municipality

"Financial year"

Means the financial year of a municipality that ends on the 30th of June each year

"MEC"

Means the Member of the Executive Committee responsible for local government

"Municipal Council" or "Council"

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

CHAPTER 1

INTRODUCTION

1.1   Purpose of the Framework

Performance management and reporting is a legal requirement in South Africa. It is also a specialized field with its own concepts that are usually interpreted and applied differently. The main aim of this framework is to assist councilors, managers, officials and local government stakeholders in developing and implementing a performance management system in terms of the requirements of the government prescripts.   The framework strives to establish a common language and thereby ensure some level of consistency and uniformity in the application of concepts.

It is not the aim of this framework to prescribe what municipalities must do, but only to serve as a guideline in the development and implementation of the organizational performance management framework and system.   This framework is not meant to provide minute details of integrated development planning processes and employee performance management, but only to draw the necessary linkages to the overall organizational performance management and integrated development.

1.2   Rationale for the Development of the Provincial Framework

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*. After its adoption the framework become applicable to all entities in the national, provincial and local spheres of government.

1.3 Aims and Objectives of the Performance Management Framework

1.3.1 Aims

Amongst other things the framework aims to:

- ✓ outline a set of agreed terms for performance information for use within the public sector;
- ✓ provide guidance on the processes to be followed in implementing a municipal performance management system within the framework of the Integrated Development Plan (IDP) and municipal budgeting;
- ✓ define roles and responsibilities of different stakeholders that should be involved in the development and implementation process;
- ✓ determine the frequency of reporting and
- ✓ provide definitions of key terminology and standards of performance management.

1.3.2 Objectives of Performance Management System

- ✓ To have a uniform approach to performance management, reporting and evaluation in the province;
- ✓ Facilitate increased accountability;
- ✓ Facilitate learning and improvement;
- ✓ Provide early warning signals;
- ✓ Facilitate decision-making and
- ✓ Recognize outstanding performance.

1.4 Policy and Legislative Mandates

1.4.1 Constitutional mandate of the MEC

The MEC responsible for local government is mandated both in terms of the Constitution and legislation to support and to strengthen the capacity of municipalities to manage their own affairs, and to exercise their powers in terms of section 154 (1) of the Constitution.

In terms of section 155 (6) (a) and (b) of the Constitution the provincial government is further mandated to provide for the monitoring and support of local government, and also to promote the

development of local government capacity to enable municipalities to perform their functions and manage their own affairs.

1.4.2 The White Paper on Local Government

The WHITE PAPER ON LOCAL GOVERNMENT (1998) proposed the introduction of performance management systems to local government, as a tool to ensure Developmental Local Government. It concludes that:

"Integrated development planning, budgeting and performance management are powerful tools which can assist municipalities to develop an integrated perspective on development in their municipal areas. It will enable them to focus on priorities within an increasingly complex and diverse set of demands. It will further enable them to direct resource allocations and institutional systems to a new set of development objectives."

The White Paper adds that:

"Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities 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".

The Batho Pele White Paper notes that the development of a service-orientated culture requires the active participation of the wider community. Municipalities need constant feedback from service-users if they are to improve their operations. Local partners can be mobilized to assist in building a service culture. For example, local businesses or non-governmental organizations may assist with funding a help line, providing information about specific services, identifying service gaps or conducting a customer survey.

1.4.3   The legislative mandate of the MEC

Section 105 of the Systems Act provides as follows:

(a) monitor municipalities in the province in managing their affairs, exercising their powers and performing their duties;

(b) monitor the development of local government capacity in the province; and

(c) assess the support needed by municipalities to strengthen their capacity to manage their own affairs, exercise their powers and perform their functions.

It follows accordingly that the development of the performance management framework of municipalities is developed by the MEC in line with the above legislative mandate.

1.4.4   Constitutional and Legislative obligations of municipalities

One of the objects of local government as outlined in Section 152 (1) (a) of the Constitution is to provide democratic and accountable government for local municipalities. Municipalities, therefore have a Constitutional obligation to monitor their performance in order that they be held accountable to the community.

1.4.5   Legislative obligations of municipalities

1.4.5.1 Structures Act

The functions of Executive Mayors of municipalities, as outlined in Section 56 (3) (a) (b) (c) and (d) of the Municipal Structures Act (1998), includes – amongst other, that of performance management in terms of section 39 (a) Systems Act.

1.4.5.2 Systems Act

Chapter 6 of the Systems Act, requires municipalities to establish a performance management system.

Section 38 of the Systems Act provides as follows:

A municipality must-

(a) Establish a performance management system that is-

    (i)   commensurate with its resources;

    (ii)   best suited to its circumstances; and

    (iii)   in line with the priorities, objectives, indicators and targets contained in its Integrated development plan;

(b) Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration; and

(c) Administer its affairs in an economical, effective and accountable manner

In addition to the Systems Act, the Municipal Performance Regulations of 2001 in particular regulation 7(1), requires that a municipality develops a framework which outlines how "performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different players".

CHAPTER 2

THE PLANNING PROCESS AND PERFORMANCE MANAGEMENT

2.1 Introduction

In national sphere of government all government entities must produce five year strategic plans, which are aligned with government strategic direction as expressed in the Medium Term Strategic Framework and Government Programme of Action. The process starts with each new five year electoral cycle when a new government produces a programme of action. The same process happens at provincial and local government level wherein, plans must be aligned across all spheres of government.

During each stage of planning, budgeting and reporting managers require performance information. It can then be concluded that performance management budgeting and planning are interrelated processes.

2.2 Planning and Budgeting Cycle

The provincial planning and budgeting process is cyclical beginning in June and ending in May. The process can at best be described as follows in table 1 below:

Table 1: Planning and Budgeting Cycle

NATIONAL	PROVINCE	LOCAL GOVERNMENT
June		
	The provincial planning process begins with the following activities: • Exco hold a Planning Lekgotla; • Priorities are circulated to municipalities to be	• District municipalities approve and circulate district IDP frameworks to its constituent local municipalities; • Approval of final SDBIP for next FY

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NATIONAL	PROVINCE	LOCAL GOVERNMENT
	considered during the IDP review process;	
July		
The National Cabinet holds a Lekgotla	• Depts. undergo strategic planning for next budget cycle • Depts. submit the 1st Draft budget to Provincial Treasury • Depts. submit the 1st Draft SP,APPs /DAs to Treasury and Macro Policy • State of Local Government Addresses and budgets • Sector department submits 1st quarter performance reports	Municipal planning cycle begins with the following activities: • Municipalities begins with the preparatory phase for the next IDP's • Approval and circulation of municipal process plan by local municipalities • Municipalities table the budget process schedule
August		
	• Provincial Budget Hearings (MTEC) • Consultations with municipalities (IDPs) by departments to agree on programmes & projects • Treasury submit 1st draft budget, SP and APP to National Treasury	4th quarter performance and budget report submitted to Municipality Council
September		
	Performance Review and Budget	• Municipalities commence

NATIONAL	PROVINCE	LOCAL GOVERNMENT
	adjustment Lekgotla	with public participation process/ feedback on previous performance • Analysis phase of IDP
October		
	• Depts. submit the 2nd Draft SP,APPs /DAs to Treasury and Macro Policy • *Submission of 2nd quarter performance reports	• The municipal IDP process enters the strategy development phase • Municipalities submit 1st quarter performance and budget report to council
November		
FOSAD planning workshop	• Provincial EXCO Lekgotla approves APPs • Tabling of Adjustment Appropriation (Budget) • Final allocation of budget to Depts.	• Depts. Inputs to IDPs review • Project phase of IDP
December		
Inputs for State of the Nation address	• Provincial Treasury submits final Budget documentations to National Treasury (SP, APP,EPRE,etc) • Finalise MTEF Budget	Municipal IDP integration phase
January		
National Cabinet Lekgotla	• Submission of 3rd quarter	• Municipal Councils adopts

NATIONAL	PROVINCE	LOCAL GOVERNMENT
	performance reports	draft IDPs • Final Project and integration phase
February		
• State of the Nation Address • Ministers' Budget Speeches • National POA	• State of the Province Address	• Municipalities table adjustment budget • Finalise operational and capital budget • IDP Analysis • Municipalities advertise IDP for public comments • 2nd quarter performance and budget report submitted to the council
March		
	• Final approval of the PoA • SP, APPs tabled at Legislature • MEC of Finance Provincial budget speech	• Depts. Inputs to IDPs review through IDP Indaba/Summit/Rep Forums • Municipalities table annual draft budget and Final IDP for adoption
April		
	• Provincial Budget and Policy Speech • Depts. submit rollover	• Provincial Budget and Policy Speech • Depts. submit rollover

NATIONAL	PROVINCE	LOCAL GOVERNMENT
	requests	requests
	• Municipalities finalize annual budget	• Municipalities finalize annual budget
	• Submission of 4th quarter performance reports	• Submission of 4th quarter performance reports
May		
	• Provincial Budget and Policy Speech	• 3rd quarter performance and budget report submitted to the council
	• Treasury issue Annual Budget Circular	
	• Treasury finalize rollover requests	
	• Depts. Submit Annual Financial Statements	

The interrelatedness of these processes can be seen in figure 1 below:

Figure 1: Planning and Budgeting Cycle

January
- National Cabinet Lekgotla
- Submission of 3rd quarter performance reports
- Draft IDP adopted by municipal councils
- Final Project and integration phase

February
- State of the Nation Address
- Ministers' Budget Speeches
- National POA
- State of the Province Address
- Municipalities table adjustment budget
- finalise operational and capital budget
- IDP Analysis
- Advertise IDP for public comments
- 2nd quarter performance and budget report submitted to the council

March
- Final approval of the PoA
- SP, APPs tabled at Legislature
- MEC of Finance Provincial budget speech
- Depts. Inputs to IDPs review through IDP Indaba/Summit/Rep Forums
- Municipalities table annual draft budget and Final IDP for adoption

December
- Inputs for State of the Nation adress
- Provincial Treasury submits final Budget documentations to National Treasury (SP, APP,EPRE,etc)
- Finalise MTEF Budget
- Project and integration phase

November
- FOSAD planning workshop
- Provincial EXCO Lekgotla approves APPs
- Tabling of Adjustment Appropriation
- Final allocation of budget to Depts.
- Depts. Inputs to IDPs review
- Project phase of IDP

April
- Provincial Budget and Policy Speech
- Depts. submit rollover requests
- Municipalities finalize annual budget
- Submission of 4th quarter performance reports
- Provincial Budget and Policy Speech
- Depts. submit rollover requests
- Municipalities finalize annual budget
- Submission of 4th quarter performance reports

May
- Provincial Budget and Policy Speech
- Treasury issue Annual Budget Circular
- Treasury finalize rollover requests
- Depts. Submit Annual Financial Statements
- 3rd quarter performance and budget report submitted to the council

DRAFT PLANNING AND BUDGETING CYCLE

National
Provincial
Municipalities

Provincial Budgeting Process begins

Municipal Planning Cycle Begins

Provincial Planning Begins

October
- Depts. submit the 2nd Draft SP,APPs /DAs to Treasury and Macro Policy
- *Submission of 2nd quarter performance reports
- Strategy development phase of IDP
- 1st quarter performance and budget report submitted to the council

September
- Performance Review and Budget adjustment Lekgotla
- Commence on public participation process/ feedback on previous performance
- Analysis phase of IDP

August
- Provincial Budget Hearings (MTEC)
- Consultations with municipalities (IDPs) by departments to agree on programmes & projects
- Treasury submit 1st draft budget, SP and APP to National Treasury
- 4th quarter performance and budget report submitted to Municipality Council

July
- National Cabinet Lekgotla
- Depts. undergo strategic planning for next budget cycle
- Depts. submit the 1st Draft budget to Provincial Treasury
- Depts. submit the 1st Draft SP,APPs /DAs to Treasury and Macro Policy
- State of Local Government Addresses and budgets
- Submission of 1st quarter performance reports
- Preparatory phase for the next IDP's
- Approval and circulation of municipal process plan by local municipalities
- Municipalities table the budget process schedule

June
- FOSAD workshop
- Provincial Planning EXCO Lekgotla
- 1st Draft PoA
- Priorities circulated to municipalities to be considered during review
- Approval and circulation of the framework plan by District Municipalities
- Approval of final SDBIP for next FY

(Source: Resolution of the EXCO Mpumalanga on the Planning and Budgeting Cycle dated 25 June 2012)

2.3   Integrated Development Planning

An IDP of a municipality is the principal strategic instrument guiding all planning, management, investment, development and implementation decisions in a municipality taking into account input from all stakeholders.

The IDP reflects

(a) the Municipal Council's vision for the long term development of the Municipality;

(b)   an assessment of the existing level of development;

(c)   the Council's development priorities and objectives;

(d)   the Council's development strategies;

(e)   a spatial development framework;

(f)   the Council's operational strategies;

(g)   disaster management plans;

(h)   a financial plan and

(i)   the key performance indicators and performance targets

Section 34 of Municipal Systems Act, 2000 requires that a municipal council:

(a)   must review its IDP -

(i)   annually in accordance with an assessment of its performance measurements

(ii)   to the extent that changing circumstances so demand ; and

(iii)   may amend its IDP in accordance with a prescribed process.

It goes without saying therefore that the IDP and Performance Management is legislated and regulated. Performance Management is therefore a crucial tool to ensure that a municipality is performing in line with it's approved or adopted IDP.

2.4   Service Delivery and Budget Implementation Plan (SDBIP)

The SDBIP is a tool through which a municipality implements its IDP and Budget therefore addressing the municipality's strategic priorities. The SDBIP serves as a contract between the municipal Council, administration and its community which expresses the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration within a financial year. The SDBIP provides a basis for measuring performance on service delivery against set targets as well as budget implementation.

Whilst the budget sets yearly targets for service delivery and budget implementation (revenue and expenditure per vote), it is imperative to have mechanisms in place that are able to measure

performance and progress on a continuous basis. Hence the end of year targets must be based on quarterly and monthly targets, and the municipal manager must ensure that the budget is built around quarterly and monthly activities.

The SDBIP and the PMS provides the vital link between the mayor, council (executive) and the administration, and facilitates the process for holding management accountable for its performance. The SDBIP and the PMS are management implementation and monitoring tools which will assist the mayor, the councilors, municipal manager, senior managers and the community in evaluating the performance of the council. A properly formulated SDBIP and PMS will ensure that the appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, the performance of the senior management and the achievement of the strategic objectives set by council. The SDBIP and PMS enables the municipal manager to monitor performance of senior managers, the mayor to monitor the performance of municipal manager and for the community to monitor the performance of the municipality.

CHAPTER 3

PERFORMANCE MANAGEMENT

3.1   Introduction

Performance management is a relatively new requirement for national, provincial and local government in South Africa. Moreover it is a specialized field with concepts usually interpreted and applied differently. This framework, therefore, seeks to assist councilors, managers, officials and local government stakeholders in developing and implementing a performance management system in terms of the requirements of the legislation. The framework also strives to establish common terminology and thereby ensure some level of consistency and uniformity in the application of concepts.

3.2   Definition of Performance Management

EThekwini Municipality (2008:15) defines 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 organization in terms of indicators and targets for efficiency, effectiveness and impact"*.

The main objective of performance management is to ensure that a municipality monitors the implementation of its IDP and continuously improves its operations as outlined in section 19 of the Structures Act, (1998).

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

3.3 Benefits of Performance Management

3.3.1 Organizational Performance Management System (OPMS)

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

3.3.2 Individual Performance Management System (IPMS)

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

CHAPTER 4

INSTITUTIONAL ARRANGEMENTS

4.1 Introduction

Chapter 3 of the South African Constitution provides for co-operative governance. In terms of section 40 (1) of the Constitution, the South African government is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated. Section 40 (2) further states that, *"all spheres of government must observe and adhere to the principles in this Chapter and must conduct their activities within the parameters that the Chapter provides"*. The aim of this chapter is therefore to outline the institutional arrangements in place for performance monitoring and evaluation in South Africa.

4.1.1 The Presidency

The Constitution requires that all three spheres of government work together and participate in development programmes to redress poverty, under-development, marginalisation of people and communities.

The Presidency plays a crucial role in the coordination, monitoring, evaluation and communication of government policies and programmes as well as accelerating integrated service delivery.

The Presidency also aims to evaluate the implementation of government strategy, including its impact as measured against desired outcomes.

4.1.2 Office of the Premier

Section 125 (1) of the Constitution vests the executive authority of a province in the Premier, who – together with the provincial executive council, exercises this authority through the development and implementation of provincial policy, the implementation of national policies in concurrent functional areas, and the coordination of the functions of the provincial departments.

The Premier, as the political head of the Provincial Government, is also responsible for the implementation of Chapter 3 of the Constitution on cooperative governance.

The Premier's Office plays a critical leadership role in the development and implementation of Provincial Growth and Development Plans.

4.1.3 The Provincial Department of Cooperative Governance and Traditional Affairs

COGTA derives its mandate from chapters 3, 7 and 12 of the Constitution, as well as other legislation such as the Structures Act and the Systems Act.

COGTAs core function is to develop provincial policies and legislation with regards to local government, to monitor their performance and to support municipalities in fulfilling their constitutional and legal mandate.

4.1.4 Co-operation between district and local municipalities

Section 88 (1) of the Structures Act provides that "A district and the local municipalities within the area of that district municipality must co-operate with one another by assisting and supporting each other".

Section 88 (2) (a) further provides that "A district municipality on request by a local municipality within its area may provide financial, technical and administrative support services to that local municipality to the extent that that district municipality has the capacity to provide those support services".

4.1.5 National and Provincial Treasury

The National Treasury's mandate is informed by sections 215 and 216 of the Constitution, and other legislation such as the Public Finance Management Act (PFMA) of 1999 and the Municipal Finance Management Act (MFMA) of 2003. The Treasury's engagement with the GWM&E

Framework revolves around ensuring that information on inputs, activities, outputs and outcomes underpins correct reporting.

Provincial Treasury plays an important monitoring role on municipalities' adherence to the stipulated reporting time frames, as well as providing technical support to municipalities on treasury reporting requirements.

4.1.6   Statistics SA

The mandate of Statistics SA is informed, inter alia, by the Statistics Act (No. 6 of 1999), the 2002 January Cabinet Legkotla and the State of the Nation Addresses 2004 and 2005. Section 14.6 (a), (b) and (c) of the Statistics Act makes provision for the Statistician- General to advise an organ of state on the application of quality criteria and standards.

Section 14. 7 (a) and (b) confers upon the Statistician-General power to designate statistics produced by other organs of state as official statistics. Section 14.8 clauses (a) and (b) authorises the Statistician-General to comment on the quality of national statistics produced by another organ of state; and to publish such other departments and municipalities statistics.

4.1.7   Auditor-General

The annual reports of government departments need to include, inter alia, audited financial statements and statements of programme performance. Section 20 (1) (c) of the Public Audit Act (25 of 2004) requires that the Auditor General express an opinion or conclusion on "reported information of the auditee against pre- determined objectives". Similar provisions exist in terms of the Systems Act and the MFMA in the local sphere of government.

4.1.8   Department of Public Service Administration (DPSA)

DPSA's mandate is framed by the Public Service Act. This department is responsible for public service transformation to increase public service effectiveness and improve governance. It acts as the custodian of public management frameworks, performance and knowledge management and

service delivery improvement. It co-chairs the Governance and Administration Cluster and the GWM&E Working Group.

4.2 Defining institutional roles and responsibilities

4.2.1 Legislators and councillors

As representatives elected by South Africa's voters, Government and all its structures are accountable to legislatures and municipal councils. Legislators and councillors must exercise consistent and informed oversight of the bodies accountable to them, using insight gained from M&E systems.

4.2.2 Executive authorities

M&E findings should be used in the political oversight of institutional performance and for ensuring that desired outcomes and impacts are achieved. They should also be provided to all other structures to which municipalities are accountable.

4.2.3 Accounting officers

Accountable for the frequency and quality of M&E information and the integrity of the systems responsible for its production and utilisation. They need to ensure that prompt managerial action is taken in relation to M&E findings.

4.2.4 Managers directly accountable to accounting officer and other line managers

Establishing and maintaining M&E systems, especially collecting, capturing, verifying and using data and information.

4.2.5 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.

CHAPTER 5

DEVELOPING A PERFORMANCE MANAGEMENT SYSTEM

(A STEP BY STEP PROCESS)

5.1 Introduction

The Constitution has placed a huge responsibility on government in general and local government in particular in respect of the delivery of basic services to the community. The objectives of local government are outlined in Section 152(1) of the Constitution. Section 153 of the Constitution places a developmental duty on the sphere of local government. In order for local government to be able to determine whether it is fulfilling this mandate, performance management is a key instrument of measurement. This chapter, therefore seeks to serve as a guide to municipalities in the establishment of their respective PMS.

A municipality is required in terms of section 38 the Systems Act to develop a performance management system that is both commensurate with its resources and best suited to its circumstances. It is further required that the PMS should be in line with the priorities, objectives, indicators and targets contained in its IDP (Section 38(a) of the Systems Act). This chapter seeks to serve as a guide to municipalities in the establishment of their respective PMS.

5.2. Developing a Performance Management System

5.2.1 Phase 1: Starting the Performance Management Process

This phase involves clarifying and delegating roles and responsibilities, setting up internal institutional arrangements and setting up a framework for managing the change process.

5.2.2 Step 1: Delegation of Responsibilities

The Systems Act places the responsibility on council to adopt the performance management system, while holding the Executive Mayor responsible for the development of the system. The Executive Mayor may assign responsibilities to the municipal manager in this regard, but remains accountable for the development of the performance management system. The municipal
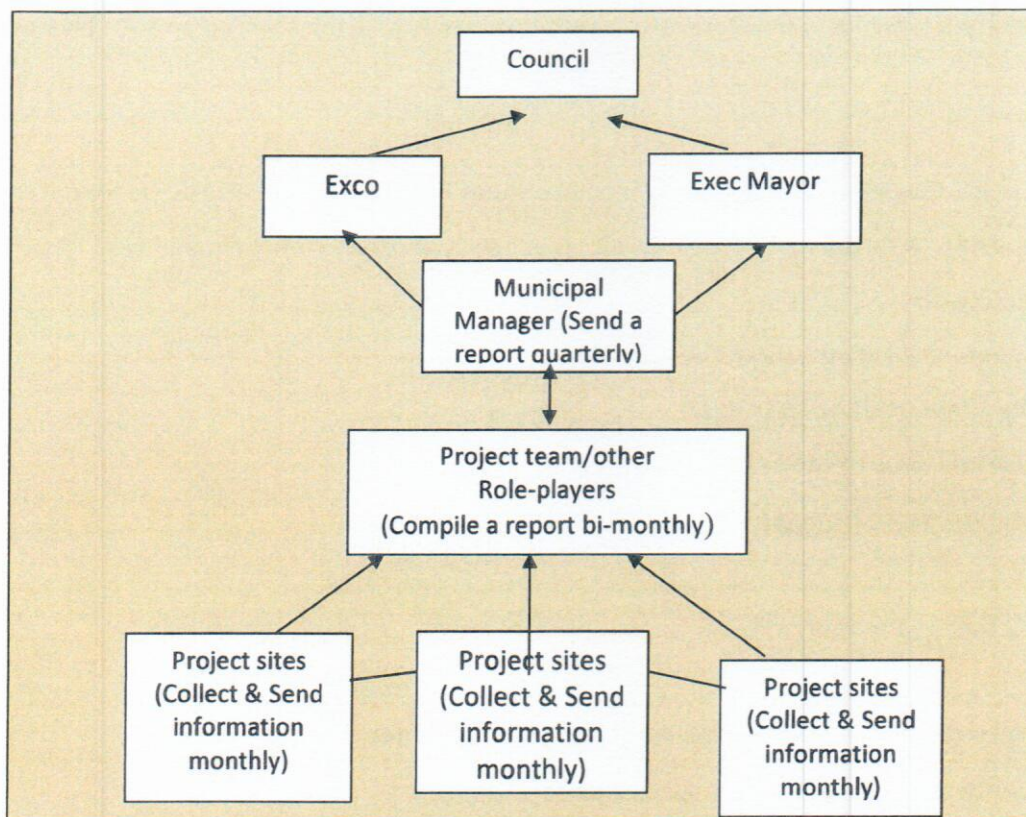
manager may further delegate the responsibility to the manager accountable to the accounting officer.

The municipal council is required within its policy framework on delegations to assign responsibilities accordingly. This must be done in writing. In most cases the duties delegated in this regard would be reflected in the performance agreement of the municipal manager and / or senior managers.

5.2.3 Step 2: Setting up Internal Institutional Arrangements

A municipality may establish a project team led by a senior manager delegated by the municipal manager for designing a PMS. It is not recommended that the senior manager and the project team be the same people involved or responsible for the integrated development process. The team will report to the municipal manager who will in turn account to the Executive Mayor and finally, Council.

Figure 2: Designing a Monitoring Framework

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                           ┌──────────────┐
                           │   Council    │
                           └──────────────┘
                            ↗           ↖
              ┌──────────────┐       ┌──────────────┐
              │     Exco     │       │  Exec Mayor  │
              └──────────────┘       └──────────────┘
                      ↖                   ↗
                   ┌─────────────────────────┐
                   │       Municipal         │
                   │     Manager (Send a     │
                   │    report quarterly)    │
                   └─────────────────────────┘
                               ↕
                   ┌─────────────────────────┐
                   │   Project team/other    │
                   │      Role-players       │
                   │ (Compile a report bi-monthly) │
                   └─────────────────────────┘
                    ↗          ↑          ↖
   ┌──────────────┐  ┌──────────────┐  ┌──────────────┐
   │ Project sites │  │ Project sites │  │ Project sites │
   │(Collect & Send│  │(Collect & Send│  │(Collect & Send│
   │  information  │  │  information  │  │  information  │
   │   monthly)    │  │   monthly)    │  │   monthly)    │
   └──────────────┘  └──────────────┘  └──────────────┘
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(Source: Performance Management Guide for Municipalities 2001)

The project team could be responsible for:

- ✓ Preparing the organisation
- ✓ Facilitating the development of the system
- ✓ Supporting the organisation in implementation

5.2.4 Step 3: Managing the Change Process

When introducing a performance management system, it is important to prepare your organisation for change. Reaching a common understanding of performance management is crucial. The most serious stumbling block to making performance management work effectively arises out of different understandings of why we need it and what it will do. Stakeholders will thus need to come to a common understanding of performance management. This is an important preparatory component of the change process, requiring that officials are aware, understand and

accept why performance management is needed and what principles will govern its development and use.

It is important that each municipality workshops these issues internally. It may be important that the leadership informs the organisation that performance management will ensure the accountability of:

✓ The municipality to citizens and communities

✓ The administration to Council

✓ Line functions to executive management

✓ Employees to the organisation

Informing the organisation will also:

✓ Make change happen by mobilising the organisation for change

✓ Clarify strategy and make it accessible

✓ Ensure strategic alignment of all operations, thus transforming strategy into operations and vision into action

✓ Clarify and manage roles, responsibilities and expectations between the public and the municipality, between politicians and officials and amongst officials

✓ Communicate these roles, responsibilities and expectations within the organisation and to the public

✓ Deepen democracy by encouraging public participation through the communication of performance information and the creation of appropriate mechanisms to hold the council accountable in the periods between elections

✓ Create a mechanism for efficient decision-making on the allocation of resources

✓ Introduce a diagnostic tool that not only tells us whether we are *doing things right* but also whether we are *doing the right things right*

✓ Redefine the incentive structure by rewarding successes and alternatively identifying opportunities for growth, learning and development

✓ Ensure that the process of developing the system will be:

- Inclusive

- Participatory, and

- Transparent

and that the system will be:

- Simple

- Realistic

- Fair and objective

- Developmental and,

- Non-punitive

These issues could be discussed in focus workshops organised by the municipality. Where possible this matter could be dealt with at the strategic planning session of the municipality. A municipality should however be careful not to prolong the process. In fact, this needs to happen in parallel with other processes for developing the system.

So far the department has looked at some of the preparatory steps in ensuring the smooth introduction of a performance management system that could help reduce problems in implementation. These preparatory measures are not exhaustive and are informed by experience locally and internationally.

5.3   Phase 2: Developing a Performance Management System

Developing a performance management system is the crucial phase. It involves the development of a framework within which performance management processes will happen. It also involves answering the following questions:

✓ When does performance management start?

✓ What are the components of a performance management system?

✓ Who will manage whose performance?

✓ When will performance be monitored, measured and reviewed?

✓ What aspects of performance will be managed?

✓ How do we respond to good and poor performance?

✓ What institutional arrangements have to be established to make this work?

In answering these questions fully, a municipality will need to develop a framework for performance management. This framework attempts to assist municipalities through this process.

5.3.1 Processes for Developing the System

At this point, the project team needs to plan how the process for developing the system is to be managed within the framework of the legislation. This should include the identification of stakeholders and establishment of structures to facilitate the development of the system.

Step 1: Current Reality

The project team needs to:

- Do an assessment of how planning, implementation and monitoring happens within the municipality
- Identify gaps in terms of new integrated planning and performance management requirements

Step 2: Identification of Stakeholders

It is important for each municipality to complete the exercise of identifying who the stakeholders are for its performance management system. While there are common stakeholder categories for all municipalities, it is important that municipalities disaggregate these categories until it is useful for their municipality. The following list of categories for stakeholders does not intend to be exhaustive, but to be a starting point from which to work:

Citizens and Communities, including:

- Civic organisations
- Community Based Organisations
- Ward Committees
- Non-Governmental Organisations

- Businesses and Organised Business

Councillors, including:

- Executive Mayor

- Mayoral Committee Members

- Standing / Portfolio Committees Members

- Council

Officials, including:

- Municipal Manager

- Management Team

- Line Management

- Employees

- Organised Labour

Partners, including:

- Public Partners

- Private Partners

- Service Providers

Each of these categories of stakeholders will play a different role in developing, implementing and using the performance management system. While some stakeholders will play minor roles when compared to others, their role must be acknowledged and planned for. Table 1 below provides an indication of some of the roles that different stakeholders can play.

Table 2: Roles of Stakeholders

STAKEHOLDER	PLANNING	IMPLEMENTING	MONITORING	REVIEWING
Citizens and Communities	Be consulted on need Develop the long term vision for the area Influence the		Be able to monitor and "audit" performance against commitments	Be given the opportunity to review municipal performance and suggest new indicators and targets

STAKEHOLDER	PLANNING	IMPLEMENTING	MONITORING	REVIEWING
	identification of priorities Influence the choice of indicators and setting of targets			
Councilors	Facilitate the development of long term vision Develop strategies to achieve vision Adopt indicators and targets		As far as possible monitor municipal performance against commitment	Review municipal performance for major reviews such as the mid-term and annual review Review the performance of the executive committee
Mayoral Committee	Play the leading role in giving strategic direction and developing strategies and policies for the organisation Manage the development of an IDP Ensure that the plans are integrated Identify indicators and set targets Communicate the		As far as possible, monitor municipal performance from different areas Commission audits of performance where necessary	Conduct the major reviews of municipal performance, determine where goals have or have not been met, the cause of underperformance and to adopt an appropriate response strategy.

STAKEHOLDER	PLANNING	IMPLEMENTING	MONITORING	REVIEWING
	plan to other stakeholders			
Executive Management	Assist the mayoral committee in providing strategic direction and developing strategies and policies for the organisation. Manage the development of the IDP Ensure that the plan is integrated Identify indicators and set targets Communicate to other stakeholders	Manage the implementation of the IDP	Regularly monitor the implementation of the IDP, identifying risk early Ensure regular monitoring (measurement , analysis and reporting) is happening in the organisation Intervention in performance problems on a daily operational basis	Conduct regular review of performance e.g. monthly Organise the performance reviews at the political level Ensure the availability of information Propose response strategies to the mayoral committee or council
Sectoral Managers	Develop sectoral plans for integration with other sectors within the strategy of the organisation	Implement the integrated development plan – make it a reality	Measure performance according to the agreed indicators, analyse and report regular e.g. monthly	Conduct review of sectoral and team performance against plan before executive reviews

STAKEHOLDER	PLANNING	IMPLEMENTING	MONITORING	REVIEWING
Employees	Contribute ideas to the integrated development plan, align personal goals and work plans with the IDP and the organizational	Implement the IDP and fulfil the personal plan	Monitor own performance continuously Monitor and audit the performance of the organisation and respective team	Participate in review of own performance Participate in review of organisational performance where necessary
Organized Labour	Play a contributory role in giving strategic direction and developing long-term vision for the organisation and municipal area Contribute to the development of an IDP Ensure support of members for the IDP		Monitor and audit the performance of the organisation , especially from a labour perspective	Participate in the public review municipal performance

(Source Performance Management Guide for Municipalities 2001)

Step 3: Creating Structures for Stakeholder Participation

It is important to establish structures that will facilitate the meaningful participation of stakeholders in the development of the system, consistent with the legislation. The municipality, in

terms of their own circumstances, should determine the nature of the structure. It is recommended that municipalities consider the IDP Representative Forum proposed in the IDP Guide pack. As far as possible, the Performance Management System (PMS) structures must be the same as those of IDPs or at least be linked to them

Step 4: Developing the System

The Municipal Systems Act requires municipalities to develop a performance management system suitable for their own circumstances. Therefore, working with the stakeholders, the project team needs to develop and propose a performance management system. A performance management system means a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting will happen and be organised and managed, while determining the roles of different role-players. In terms of the regulations, the system must be of such a nature that it:

- Complies with all the requirements sets out in the Act;
- Demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- Defines the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- Clarifies the processes of implementing the system within the framework of the IDP process;
- Determines the frequency of reporting and the lines of accountability for performance;
- Links organisational performance to employee performance;
- Provides for the procedure by which the system is linked with the municipality's IDP processes; and
- Shows how any general key performance indicators (KPIs) envisaged in section 43 of the Act will be incorporated into the municipality's planning and monitoring processes.

The *exact system each municipality decides to adopt is entirely left to that municipality*. Municipalities are therefore encouraged to conduct benchmarking studies to find out what other

municipalities who have successful performance management systems in place are doing in other provinces.

Step 5: Publication of the System

Following an assessment of all the available Performance Management System models and frameworks, municipalities need to develop their own or adopt a system that suits their circumstances.

The municipality must publish the system in the local media for public comment. The publication needs to be for one (1) month.

Step 6: Adoption of the System

Following incorporation of the public comments into the draft system, the project team should prepare the final draft for submission to Council. The Council should adopt the system when it is satisfied that the process was handled in accordance with the legislation, and the proposed system complies with the requirements of the law, especially the regulations governing performance management.

5.4   Phase 3: Implementing Performance Management

Having adopted the system, the municipality can mandate the project team to facilitate the implementation thereof. The team, which may be the same as the IDP team, should develop an implementation strategy. The strategy should be linked to the IDP implementation framework and should entail planning, implementation, monitoring and review.

5.4.1   Planning for Performance

Step 1: Planning

The Integrated Development Planning process and the Performance Management Process should appear to be seamlessly integrated. Integrated development planning fulfils the planning stage of

performance management. Performance management fulfils the management, monitoring and evaluation of the IDP implementation.

Step 2: Priority Setting

Consistent with the event-centred approach in the IDP guide, the IDP should deliver the following products:

- An assessment of development in the municipal area, identifying development challenges, marginalised and vulnerable citizens and communities;
- A long term development vision for the municipal area that overcomes its development challenges;
- A set of delivery priorities and objectives, based on identified needs, achievable in the current term of office, that would contribute significantly to the achievement of the development vision for the area;
- A set of internal transformation strategies, priorities and objectives, the achievement of which would enable the delivery and the realisation of the development vision;
- Additional projects identified which contribute to the achievement of the above objectives;
- A financial plan and medium term income and expenditure framework that is aligned with the priorities of the municipality;
- A spatial development framework;
- Disaster management plans and
- Operational strategies.

The priorities are essentially the issues that a municipality pronounces to focus on in order of importance to address the needs of the community. These needs will vary from one community to another and may include basic delivery of water, electrification, sanitation and so forth. Although not suggested as part of the IDP methodology, a municipality may cluster the priorities into the following key performance areas:

- Infrastructure and basic services;
- Social and economic development;
- Institutional transformation;

- Democracy and governance, and
- Financial management.

This is optional, but it may be a useful way to start organising the process towards aligning development priorities and objectives to the key performance indicators. It is not easy though, as some of the priorities may not neatly fit into each key performance area. Municipalities also need to be careful not to prioritise only those areas that neatly fit key performance areas. The mentioned key performance areas, however, represent the broad development mandate of local government.

Step 3: Setting Objectives

All components of the integrated development plan, whether they are strategies or priority areas, need to be translated into a set of clear and tangible objectives. This is a crucial stage in ensuring that there is clarity on the integrated development plan and that suitable indicators are found.

A clear and concise statement of objectives is needed. The statement requires a tangible, measurable and unambiguous commitment to be made. It is often useful to have a clear timeframe attached to this commitment in your objective statement. While some statements make very good slogans and can capture a sentiment, they make very poor objective statements.

In setting objectives, a municipality needs to:

- Carefully consider the desired results;
- Review the precise wording and intention of the objective;
- Avoid overly broad result statements;
- Be clear about the scope and nature of change desired and
- Ensure that objectives are outcome and impact focused.

Examples of good statements of objectives:

- To ensure the reduction of unemployment of economically active adults to 30% by July 2005;
- To ensure that all citizens are sheltered in a formal structure by 2015;

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- To ensure no growth in informal settlements from 2005 onward;
- To provide every dwelling in the municipal area with a weekly door-to-door refuse collection service from July 2001;
- To provide all dwellings in the city with a legal, pre-paid, 220V electricity connection by January 2003;
- To ensure that there is a health clinic, equipped to dispense chronic medication and providing reproductive health services, open for 12 hours a day, within 10 kilometres of every dwelling in the municipal area;
- To ensure that at least 50% of our citizens are satisfied with our frontline, face-to face, telephonic and over-the-counter services, as measured by a citizen satisfaction survey;
- To ensure the achievement of our employment equity plan against committed timeframes and
- To ensure that on average R 1000 and 24 hours is spent on training opportunities for each member of staff per year.

Good objectives will narrow down the possible choices of indicators. Excellent objectives will make the choice indicator quite obvious.

5.5   Setting Key Performance Indicators (KPIs)

5.5.1 What are Indicators?

They are measurements that tell us whether progress is being made in achieving our goals. They essentially describe the performance dimension that is considered key in measuring performance. The ethos of performance management as implemented in local governments internationally and as captured in the White Paper on Local Government and the Municipal Systems Bill, rely centrally on the use of KPIs.

5.5.2   Value of Indicators

Indicators are important as they:

- Provide a common framework for gathering data for measurements and reporting;
- Translate complex concepts into simple operational measurable variables;

- Enable the review of goals and objectives;
- Assist in policy review processes;
- Help the organisation to focus on strategic areas and
- Help provide feedback to the organisation and staff.

5.5.3   Types of Indicators

With all the talk of indicators in local government recently, it is possible that you have heard many names describing different types of indicators. This section will try to explain some of the useful types of indicators.

A. Input Indicators

These are indicators that measure economy and efficiency. That is, they measure what it cost the municipality to purchase the essentials for producing desired outputs (economy), and whether the organisation achieves more with less, in resource terms (efficiency) without compromising quality. The economy indicators are usually expressed in unit cost terms. For example, the unit cost for delivering water to a single household. On the other hand, efficiency indicators may be the amount of time, money or number of people it took the municipality to deliver water to a single household.

B. Output Indicators

These are the indicators that measure whether a set of activities or processes yields the desired products. They are essentially effectiveness indicators. They are usually expressed in quantitative terms (i.e. number of or % of). An example would be the number of households connected to electricity as a result of the municipality's electrification programme. The output indicators relate to programme activities or processes.

C. 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. In terms of quality, they measure whether the products

meet the standards set in terms of the perceptions of the beneficiaries of the service rendered. Examples of quality indicators include an assessment of whether the service provided to households complies with the applicable standards or percentage of complaints by the community. In terms of impact, they measure the net effect of the products/services on the overall objective. An example would be percentage reduction in the number of houses burnt due to other sources of energy, as a result of the electrification programme. Outcome indicators relate to programme objectives.

D. Process Indicators

These sets of different indicators relate to a specific organizational process being followed.

Figure 3: Systems Model
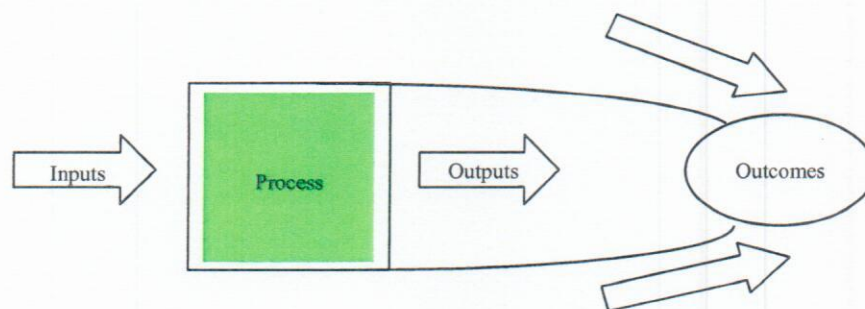
(*Source: Performance Management Guide for Municipalities 2001*)

- Inputs are what go into a process;
- Costs are what the inputs cost us;
- Processes are the set of activities involved in producing something;
- Output is the product or service generated and
- Outcome is the impact or effect of the output being produced and the process undertaken.

The measurement of costs, inputs, process, outputs and outcomes are valuable in developmental local government. Let us look at an example of addressing housing needs:

The Housing Process can be seen as follows:

Costs:

Costs of the inputs below:

- ✓ Land identified to be suitable for housing
- ✓ Subsidies obtained
- ✓ Labour
- ✓ Raw materials

Processes:

- ✓ Land surveying
- ✓ Community consultation
- ✓ Plans approval
- ✓ Provision of services
- ✓ Construction of top structure

Outputs:

- ✓ Houses

Outcomes:

- ✓ Houses owners satisfied with houses
- ✓ Decrease in homelessness and informal dwellings

The outcome indicators here are particularly useful in telling us about the quality of houses and the housing process and whether we are producing the right outputs in the right location. For example:

A municipality decides that it wishes to reduce the percentage of population not living in formal serviced structures by 5% a year. To effect this, it decides to build 3000 houses per year. Two years later, in measuring its performance, it finds it has built 3000 houses per year, but discovers that the percentage of population not living in formal houses has only decreased by 1% a year.

There are many possible reasons for this, but the most significant is that either the output or the process is inappropriate:

- The number of houses planned for could be too low
- The location of the houses could be highly inaccessible to work and other resources
- The community may not have been consulted on the type of houses or their location
- The houses may be too small or of poor quality
- The houses may not be affordable

Outcome indicators allow us to check whether our development strategies and policies are working. They help us to identify gaps and improve strategies and policies.

The Municipal Systems Act requires local government to measure its performance on outputs and outcomes. The measurement of inputs and processes are also useful, at a local level.

E. Composite Indicators

Outcome indicators can be developed for each local government function. Each function can have a variety of outcomes that need to be measured. The danger of this is that the municipality can 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 (transport, water, sanitation, electricity, public participation, housing, etc.) or across sectors. Composite indices combine a set of different indicators into one index by developing a mathematical relationship between them.

An example of a popular composite index is the Human Development Index. It measures three basic elements of human development: life expectancy, educational attainment (adult literacy combined with primary, secondary and tertiary enrolment) and real gross domestic product (GDP) per capita.

Composite indices are useful in simplifying a long list of indicators and the complex relationships between them into one index. However, they do have their disadvantages. It is very difficult to ensure citizen and community involvement in developing, understanding and monitoring composite indices, as they appear to be unrelated to everyday life. Additionally, certain specific problem areas can become hidden and are often overlooked when aggregated into a single composite index.

Knowing their usefulness and their disadvantages, it is up to your council to decide whether or not composite indicators are appropriate. It is however advisable to start your PM system at the very basic level, which may mean identifying a handful of priorities and setting as few as possible indicators for those priority areas. Composite indicators can be introduced in later years when the list of indicators gets longer and the capacity of citizens to participate is developed.

F. Baseline Indicators

These are indicators that show the status quo or the current situation. They may indicate the level of poverty, service, infrastructure and so forth. They are usually utilised in the planning phase to indicate the challenges the organisation is faced with. They are important, since organisations use them to assess whether programmes are indeed changing the situation.

5.5.3   How to Identify Indicators

In identifying indicators, it is important that a municipality:

- Looks at the priorities and objectives set in the IDPs
- Clusters the development objectives into key performance areas including service delivery, development, institutional transformation, governance and financial issues
- Looks at the activities and processes identified in the IDP to achieve the objectives
- Looks at the resources earmarked to achieve the objectives
- Identifies the indicators for inputs, outputs and outcomes

Input indicators are used to measure resources, output indicators are used to measure the activities or processes while the outcome indicators are used to measure impact.

A municipality must identify indicators for each of the areas outlined above, brainstorm them and rigorously check whether they are:

➢ **Measurable**

✓ KPIs should be easy to calculate from data that can be generated speedily, easily and at a reasonable cost, given the municipality's financial and administrative capacity

➢ **Simple**

✓ Can measure one dimension of performance (quality, quantity, efficiency, effectiveness and impact) at one given time

✓ Separate different performance dimension and set indicators for each separately

✓ Avoid combining too much in one indicator

➢ **Precise**

✓ They measure only those dimensions that the municipality intends to measure

➢ **Relevant**

✓ They measure only those dimensions that enable the municipality to measure progress on its objectives

✓ They measure performance on areas falling within the powers and functions of the municipality

✓ They measure performance of the year in question

➢ **Adequate**

✓ They measure quality, quantity, efficiency, effectiveness and impact

✓ Separate indicators are set for each of these priorities and objectives

➢ **Objective**

✓ They state clearly what is to be measured without ambiguity

The process of setting indicators may be a sensitive one. It is therefore important that the political leadership and communities be involved centrally. There has to be a political champion for this process. Communities can be involved through various means including participation in structures established by Council, consultations and public hearings.

It is however important to note that there will never be a stage where there is complete consensus on indicators among everybody and therefore Council will have to take decisions at some point.

It is also important to start on a small scale and use output/quantity indicators in the beginning. However, municipalities need to avoid the temptation to set indicators for areas that easily lend themselves to measurements. This is important and is the reason that government decided to develop national indicators. These indicators have to be incorporated into the local indicators.

Another important factor in choosing an indicator is whether data is available for its measurement in your municipal area. A municipality needs to be clear about what data it currently collects and what data it will have the capacity to collect in the near future.

It will also be useful for your municipality to know what data is being collected by other institutions, such as universities, universities of technology, schools and hospitals in your municipal area. It is advisable to co-operate with these institutions in sharing information that is useful.

Statistics South Africa collects a significant amount of data, primarily through the National Census.

International experience has shown that "home-grown" indicators can be very useful in ensuring public participation in the performance management process. "Homegrown" indicators are indicators suggested by citizens and communities that are directly relevant to the development plans and challenges of the area. The inclusion of some "home-grown" indicators will ensure greater credibility, legitimacy and participation from citizens and communities.

5.5.4 Incorporating General Key Performance Indicators

General indicators are promulgated and it is compulsory that they be reported on. The Municipal Planning and Performance Management Regulations of 2001, prescribes the following seven General key performance indicators for local government:

- ✓ The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- ✓ The percentage of households earning less than R1 100 per month with access to free basic services;
- ✓ The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's IDP;
- ✓ The number of jobs created through the municipality's local economic development initiatives including capital projects;
- ✓ The number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved equity plan;
- ✓ The percentage of a municipality 's budget actually spent on implementing its workplace skills plan ; and
- ✓ Financial viability

When municipalities are developing Key Performance Indicators (KPIs) are expected to include report on the above mentioned KPIs, and they should be relevant to the municipality concerned. The district municipalities are not responsible for the provision of basic services and will not include those general KPIs.

5.6 Setting Targets

At this stage a municipality should have clear objectives for its IDP and should have identified appropriate indicators. Indicators without targets are like playing soccer without goalposts. Targets are simply the goals or milestones that we intend an indicator to measure at various timeframes.

5.6.1 What are Performance Targets?

Performance targets are the planned level of performance or the milestones an organisation sets for itself for each indicator identified. Targets are usually expressed in terms of quantity or time. For example, if a municipality identifies the number of households connected to electricity as an indicator for an electrification programme, 20 households per week may be the target.

5.6.2 How to Set Targets

A municipality must identify baseline measurements. A baseline measurement is the measurement of the chosen indicator at the start of the period. If performance is seen as a race, the baseline is the starting position and the target is the finish line. In setting targets it is important to know how we are performing at the current moment. This step also tests whether the chosen indicator is in fact measurable and whether there are any problems associated with it. It is important to know the date when your baseline measurement was relevant. For example, if you cannot measure your baseline at the current moment, and have to rely on data from the last census, you should clearly note that your baseline measurement is relevant to the date of the last census.

A municipality may then look at all the indicators set, and identify targets for each. The targets need to be realistic, measurable and be commensurate with available resources and capacity.

- The public needs to be consulted on their needs and expectations in setting a target
- Politicians need to give clear direction as to the importance of the target and how it will address the public need. Targets should be informed by the development needs of communities and the development priorities of the municipality
- Line managers need to advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity. Whilst targets should be realistic, they should pose a challenge to the municipality to do things significantly better. Managers will need to advise on seasonal changes and other externalities that should be considered in the process of target setting.

Decision-makers must then make a contractual commitment to achieving these targets within agreed upon time frames and notify all stakeholders of the targets and the time frames.

The above stage relates to the identification of priorities, setting of objectives, indicators and targets as part of the IDP process. At the end of the process, a municipality may emerge with the following picture.

Table 3: An example of Key Performance Area (KPA)

Key Performance Area: Service Delivery and Infrastructure Development						
Priority	Objectives	Targets	Activities	Input indicator/	Output Indicators/ Targets	Outcome Indicators/ Targets
Delivery of water	To improve access of water to households in the informal settlement	500 households are provided with clean portable water	Connect households to water	Unit costs for purchasing water or priority pipes to connect to single households Time or the number of people it took to connect a single household	Number of households connected in one year	Number of households with access to water conforming to national standards

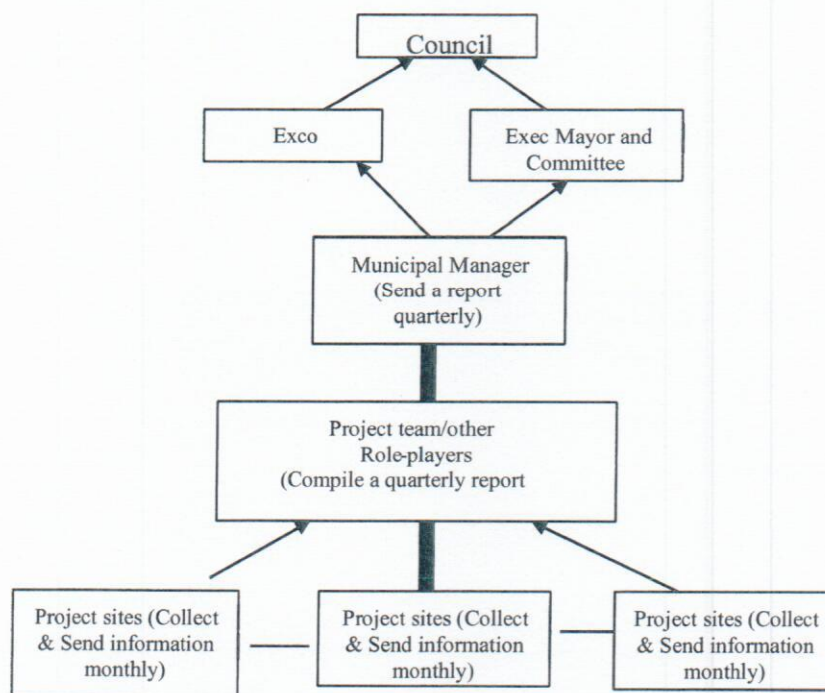*(**Source:** Performance Management Guide for Municipalities 2001)*

Please note that output indicators relate to activities, while outcome indicators relate to outcomes.

5.7   Developing a Monitoring Framework

Performance monitoring is an ongoing process that runs parallel to the implementation of the adopted or approved IDP. A municipality must develop a monitoring framework that:

- Identifies the roles of the different role-players in monitoring and measuring the municipality's performance;
- Allocates specific tasks to the gathering of data and submission of reports;
- Specifies which data must be collected in order to assess performance;
- Indicates how that data is to be collected, stored, verified and analysed;
- Guides on how reports on that data are to be compiled;
- Provides for reporting to the municipal council at least twice a year;
- Is designed in a manner that enables the municipality to detect early indications of under-performance;
- Provides for corrective measures where under-performance has been identified and
- Compares current performance with performance during the previous financial year and baseline indicators.

Figure 4: Designing a Performance Management Framework

(Source: Performance Management Guide for Municipalities 2001)

5.8   Designing a Performance Measurement Framework

5.8.1   How to do Measurements

A municipality is expected to develop a framework for undertaking performance measurements. Performance measurement is essentially the process of analysing the data provided by the monitoring system in order to assess performance. This requires that municipalities determine what they are going to look at and what they are going to use to measure performance. There is a wide range of performance management models such as the Balanced Scorecard, which is a widely used model.

5.8.2   The Balanced Scorecard Performance Model

The Balanced Scorecard ensures that there is balance in the set of indicators being compiled. It was developed as a means to measure performance by combining both financial and non-financial indicators to create a balance between financial and other critical functional areas in organizations. By combining financial indicators and non-financial indicators in a single report, the Balanced Scorecard aims to provide managers with richer and more relevant information about the activities that they are managing than is provided by financial indicators alone.

The Balanced Scorecard performance model requires the use of scorecards as a systematic approach to assessing internal results while probing the external environment. This Model groups its indicators into four perspectives: financial perspectives, customer/stakeholder perspective, internal process perspective and learning and growth perspective.

Figure 5: Balanced Scorecard
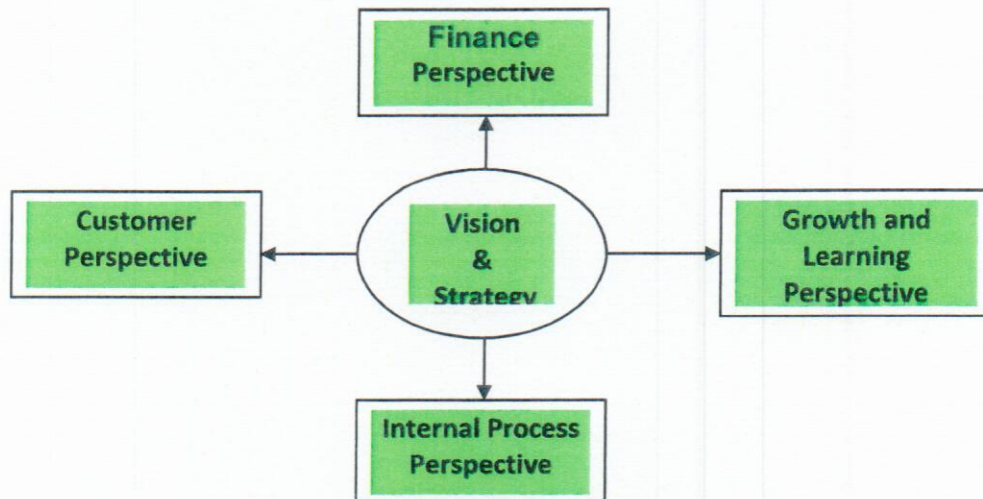
(Source: Performance Management Guide for Municipalities 2001)

Characteristics of a good measurement too are that it must be:

✓ **Time-specific.** It is made clear when the data was obtained.

✓ **Source-specific.** It is explicit where the data was obtained from, e.g. Complaints register, household survey, billing system, Census results.

✓ **Valid.** Validity is the degree to which that which is intended to be measured is being measured, e.g. If it is intended that we measure the percentage of households with a legal electricity connection and the measurement gives us the number of households with an electricity connection, then the measurement is invalid.

✓ **Reliable.** Reliability is the degree to which, if the measurement is repeated under exactly the same conditions, it yields the same result, e.g. If the cleaning department measures three times, immediately after each other, the percentage of dwellings that have not received a refuse collection service in the previous month, and arrives at three very different percentages, then the measurement is unreliable.

✓ **Clear and Accurate.** The measurement is unambiguous and the degree of error is low.

These guidelines strongly suggest that line managers should be responsible for most measurements. Only measurements that are of a central nature, such as citizen surveys and census calculations, need be undertaken centrally. It is very important that line managers see measurement and reporting as central to their management duties. While the old adage "only what gets measured, gets done" is still relevant, its converse "it hasn't been done until it is measured" should also apply.

5.8.3   Analysis

Analysis is making sense of the measurements. It requires interpretation of the measurements to determine whether targets have been met and exceeded and projections on whether future targets will be met. Where targets are not being met, analysis requires that the reasons should be examined and corrective action recommended. Where targets are being met or exceeded, key factors that resulted in the success should be shared to ensure organisational learning.

5.8.3.1   Who does the Analysis?

Once again, it is crucial that line managers are continuously analysing the measurements that they are generating. They are best placed, having an in-depth understanding of their sector, to analyse whether targets are being met now and will be met in the future, what the contributing factors are to the level of performance and what remedial action needs to be taken. This will constitute a preliminary analysis and should be done by respective line managers for objectives and indicators that lie within their area of accountability.

Secondly, it is useful to have a corporate analysis of performance. This analysis should examine performance across the organisation in terms of all its priorities. This analysis would need to reflect on:

- ✓ Whether performance targets are being met in the organisation
- ✓ Trends and patterns with respect to the meeting of targets
- ✓ The reasons for targets not being met.

This level of analysis should be able to reveal whether broader factors are limiting performance e.g. labour relations problems, community conflict in particular areas or poor maintenance of vehicles across the organisation.

To be successful, capacity for this level of analysis should be set up centrally, preferably in the office of the Municipal Manager.

CHAPTER 6

PERFORMANCE REVIEWS

6.1   Introduction

In order to improve municipal governance performance reviews are a useful tool that municipalities can use to ensure transparency and accountability, to promote improvement of service delivery and compliance with statutory and other requirements, as well as to establish a learning culture in the public sector.

Chapter 6 is dedicated to performance reviews, and will outline how to conduct performance reviews and, who should conduct reviews and why.

6.2   Conducting Performance Reviews

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. There are a number of ways to conduct performance reviews. The first is to look at whether the current level of performance is better than that of the previous year, using baseline indicators. This assessment is important because you can only know if your performance is improving by comparing with past performances.

The second method is to look at the municipality's performance by comparison with other similar ones, other public sector agencies and/or private sector organisations.

This is also important because you can only know that you are doing well relative to others similar to you. This may be done by way of a benchmarking exercise.

The third method is to look at what the people receiving municipality services think or what their perceptions are about the performance of the municipality across a range of services. Again this is crucial because you are only as good as the people you serve think you are. This may be done by way of customer surveys or other community feedback mechanisms.

This review approach is consistent with the 'best value' review framework of challenge, compare, consult and compete. The framework calls for the municipality to challenge the current level of performance, compare it to others, consult with customers or communities and find ways of competing with others to provide best value in service delivery.

6.2.1 Who Conducts Reviews?

In order to fulfill the objective of ensuring accountability, reviews are conducted according to the lines of accountability discussed earlier.

6.2.2 Supervisors

Supervisors will review the performance of employees reporting directly to them. This manual does not offer guidelines on how to conduct these reviews, as this will depend on the type of employee performance management system your municipality chooses to adopt.

6.2.3 Line/functional/sectoral managers

These managers should review performance of their respective areas on a regular basis. It is suggested that this be done at least monthly. The review should at least cover all the organisational priorities respective to these sectors and functions.

6.2.4 Portfolio Committees

These committees will need to manage the performance of sectors and functions respective to their portfolios. While it is important that they at least review performance of organisational priorities that lie within their portfolio, it is advisable that they review additional sectoral priorities determined by them. In order to build the role played by standing or portfolio committees, while ensuring that their role remains strategic and not operational, it is recommended that they review performance quarterly.

6.2.5   Executive Management

It is important that the municipal manager and her or his management team review performance prior to, and more often than, the executive or mayoral committee, as follows:

✓ Firstly, they will need to review performance more often, such that they can intervene promptly on operational matters where poor performance or the risks thereof occur.

✓ Secondly they will need to review performance before reporting to politicians so that they can prepare; control the quality of performance reports submitted to the councillors and the public; and ensure that adequate response strategies are proposed in cases of poor performance.

✓ It is strongly recommended that the executive management team review performance monthly, prior to reviews being conducted by standing, portfolio or executive committees. At these reviews relevant sectoral or functional managers should be required to report on respective priority areas.

6.2.6   Mayoral Committee

This committee should play the most significant role in reviewing the performance of the administration, as the system should be designed to allow this committee to strategically drive and manage performance in the organisation.

Reviews at this level should remain strategic so that councillors are not restrained by operational discussions. In order for this review to be strategic it is recommended that the committee review performance quarterly, with the final quarterly review taking the form of an annual review.

The content of the review should be confined to agreed / confirmed priority areas and objectives. The municipal manager should remain accountable for reporting on performance at this level, even if she or he delegates this responsibility to other officials.

6.2.7 Internal Audit

Internal audit must audit the performance information of the entire municipality guided by both the municipal IDP and SDIBIP. It is advisable that the audit should take place before the report is submitted to municipal council.

6.2.8 Council

Council should review the performance of the municipality, its committees and the administration. This review will need to take place at particularly strategic and high level, to be practical. It is suggested that council should review performance annually, in the form of a tabled annual report at the end of the financial year.

6.2.9 The Public

Citizens and communities should be afforded the opportunity to review the performance of the municipality and their public representatives, in the period between elections.

It is a legislative requirement that the public be involved in reviewing municipal performance at least annually. As this is a new component to local government and performance management, some ideas for a campaign to allow the public to review municipal performance are discussed under the paragraph on 'Publication of Performance Reports'.

6.2.10 Improving Performance

While good and excellent performance must also 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 as a priority.

In order to do this, it is important that the causal and contributory reasons for poor performance are analysed. 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

To improve performance the appropriate response strategy should be chosen:

✓ Restructuring is a possible solution for an inappropriate structure

✓ Process and system improvement will only remedy poor systems and processes

✓ Training and sourcing additional capacity can be useful where skills and capacity shortages are identified

✓ Change management and education programmes can address organisational culture

✓ The revision of strategy by key decision makers can address shortcomings in strategy

✓ Consideration of alternative service delivery strategies in Chapter 8 of the Municipal Systems Act should be explored

6.3   Provincial Performance Reviews

In terms of section 105 of the Municipal Systems Act, 2000 the MEC for local government is expected to establish mechanisms, processes and procedures in terms of section 155 (6) of the Constitution to do the following:

(a) Monitor municipalities in the province in managing their own affairs, exercising their powers and performing their functions and,

(b) Assess the support needed by municipalities to strengthen their capacity to manage their own affairs, exercise their powers and perform their functions.

In order to ensure full compliance to this legislative requirement, the MEC institutes provincial municipal performance reviews to be conducted twice in a municipal financial year as follows:

✓ First quarter performance review will be held 45 days after the end of the municipal first quarter and

✓ Municipal Mid-Year (second quarter) performance review will be held 45 days after the end of the municipal second quarter

✓ The performance reports emanating from the review sessions will be forwarded to the MEC and municipal council.

The main aim of the performance reviews is to serve as an early warning system/mechanism to municipalities with regard to performance or the lack thereof.   In line with the quarterly performance reviews municipalities are therefore required to submit quarterly performance reports to provincial COGTA for assessment. Once the performance analysis has been concluded will culminate into a performance review session.

CHAPTER 7

PERFORMANCE REPORTING

7.1   Introduction

The purpose of this chapter is to, amongst others, outline the reporting requirements for both provincial COGTA and local government and the process to be followed in reporting. Reporting requires that we take the priorities of the organisation, its performance objectives, indicators, targets, measurements and analysis, and present this information in a simple and accessible format, relevant and useful to the specified target group, for review.

7.2   Reporting lines

Chapter 6 of the Municipal Systems act (2000) outlines a hierarchy of reporting which answers the question as to which reports must be developed for whom and by whom.

7.2.1   Section 46 Report

According to section 46 (1) of the Systems Act "a *municipality must prepare for each financial a performance report reflecting;*

(a) *The performance of the municipality and each external service provider during that financial year;*

(b) *a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and*

(c) *measures taken to improve performance.*

7.2.2   The MFMA Circular 63

The Presidency, COGTA, sector departments, provincial departments and municipalities undertook a two year process to review the municipal annual reporting process. The process culminated into the development MFMA circular No. 63, It is now expected that all municipalities and municipal entities use the new Annual Report Format to compile and submit their Annual Reports on time.

The Annual Report, including the unaudited AFS must be submitted simultaneously to the Auditor-General and a copy forwarded to the National Treasury, the relevant Provincial Treasury and Cooperative Governance departments. This circular will assist municipalities achieve quality and relevant reporting, reduce duplication of reports, enhance governance and promote accountability.

7.2.3   The reporting requirements in terms of circular 63 of the MFMA

According to circular 63 of the MFMA (2012:8) "The Annual Report of a municipality and every municipal entity must be tabled in the municipal council on or before 31 January each year (MFMA S127). In order to enhance oversight functions of Councils, please note that this must be interpreted as an outer deadline; hence municipalities must submit the Annual Reports as soon as possible after year end, namely, August. The entire process is concluded in the first or second week of December for all municipalities, the same year in which the financial year ends and not a year later, as is currently the case".

Table 4: Timelines for producing the Systems Act section 46 report

Activity	Legislation and Guidance	Process Owner Role Player	Timeframe
Consideration of next financial year's Budget and IDP process plan. Inyear reporting formats should ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the beginning of the Budget / IDP implementation period.	Systems Act S41(1)(e)	MM Assisted by other s56 managers & the CFO	July

Activity	Legislation and Guidance	Process Owner Role Player	Timeframe
Implementation and monitoring of approved Budget and IDP through the approved SDBIP commences (In-year financial reporting and quarterly performance reports).	Systems Act S41(1)(e)	MM Assisted by other s56 managers & The CFO	July
Finalise 4 th quarter report of previous financial year	MFMA S52(d)	MM Assisted by other s56 managers & CFO	July
Submit draft previous financial year Annual Report and evidence to Internal and the Auditor General including annual financial statements and financial and nonfinancial information[1].	Submission of annual financial statements as per section 126(1) of the MFMA. Additional step, a draft Annual Report is prepared. Annual Performance report needs to be included as per section 46 of the Systems Act.	MM & CFO	July
Municipal entities submit draft Annual Reports to MM.		Entity AO & CEO	July

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[1] Note that the annual performance report and the annual financial statements form part of an Annual Report.

Activity	Legislation and Guidance	Process Owner Role Player	Timeframe
Submit Annual Report including annual financial statements and Annual Performance Report to the Combined Audit/Performance Committee.	Joint Committee assessing both financial and nonfinancial performance advances accountability and expedites corrective measures	MM & CFO	July/August
Combined Audit/Performance committee considers unaudited Annual Report of municipality and entities (where relevant).		Audit and Performance Audit Committee	August
Mayor tables the unaudited Annual Report in Council.	The Annual Report submitted complies with the requirements of Section 121(3) (a-k). Information on pre-determined objectives to be included.	Mayor	August
Municipality submits Annual Report including final annual financial statements and annual performance report to Auditor-General for auditing purposes – due 31 August. Council to submit unaudited tabled annual report to MPAC for vetting and verification of councils' directive on service delivery & the committee to	Note that it is unaudited and will not include any of the Auditor-Generals reports as the auditing thereof will still be in progress. (Municipalities with Municipal entities to submit a consolidated Unaudited Annual Report by September)	CFO	August

Activity	Legislation and Guidance	Process Owner Role Player	Timeframe
evaluate senior managers' performance against agreement entered into.			
Commencement of IDP analysis of institutional, services and infrastructure provision, backlogs and priorities. Unaudited Annual Report as submitted to Auditor General to be used as input into the IDP strategic phase process and community verification & input by MPAC on reported performance. Such information includes that of various entities incorporated into the information of the parent entity.	If the above process is followed, the unaudited Annual Report can add value to the DP/Budget planning process for the next year as well as oversight by MPAC on the reported deliverables by communities and achievements targets reached.	Council	August
Auditor-General audits the unaudited Annual Report and submit an audit report to the accounting officer for the municipality / municipal entity.	Section 126(3) (b) require the Auditor- General to submit an audit report within three months after receipt of statements from the municipality.	Auditor- General	November for municipalities without entities & December for municipalities with entities

Activity	Legislation and Guidance	Process Owner Role Player	Timeframe
Annual Report and oversight report process for adoption to be used as input into public participating meetings for the IDP review process.	Section 127,128,129 and 130	Council	September November
The Auditor-General's reports are issued during the period of Oct/Nov. Once the AG audit reports have been issued no further changes are allowed as the audit process is completed	Section 129, 130 and 131. Tabling the audited Annual Report within 5 or 6 months after the end of the financial year. Section 75 for publication on website	MM	November / December
Mayor tables audited Annual Report and financial statements to Council		Mayor	November / December
Audited Annual Report is made public, e.g. posted on municipality's website.		IT Director Accounting officer	November / December
Oversight committee finalises assessment on Annual Report. This must be concluded within 7 days of receipt of AGs report. Council is expected to conclude on this matter before going on recess in		Oversight Committee	November / December

Activity	Legislation and Guidance	Process Owner Role Player	Timeframe
December.			
Council adopts Oversight report.	The entire process, including oversight reporting and submission to provincial legislators is completed in December and not in March the following year.	Council	December
Oversight report is made public.		MM	December
Oversight report is submitted to Legislators, Treasuries and DCoG		Mayor	December

(*Source*: circular 63 of the MFMA 2003)

7.2.4   Section 47 Report

Section 47 (1) of the Systems Act *"the MEC for local government must annually compile and submit to the legislature and the Minister a consolidated report on the performance of municipalities in the province"*.

7.2.5   Section 48 Report

Section 48 (1) of the Systems Act provides that, *"The Minister must annually compile and submit to Parliament and MECs for local government a consolidated report of local government performance in terms of general key performance indicators"*.

7.3   Reporting process in municipalities

Performance management in local government is a tool to ensure accountability of the:

- Municipality to Citizens and Communities
- The Executive Mayor
- Administration to the Executive Mayor

- Line/Functional/Sectoral Management to Executive Management and Portfolio and Standing Committees
- Employees to the organisation

It is thus necessary that the reporting process follow the lines of accountability as depicted in figure 5 below:

Figure 6: Reporting Process
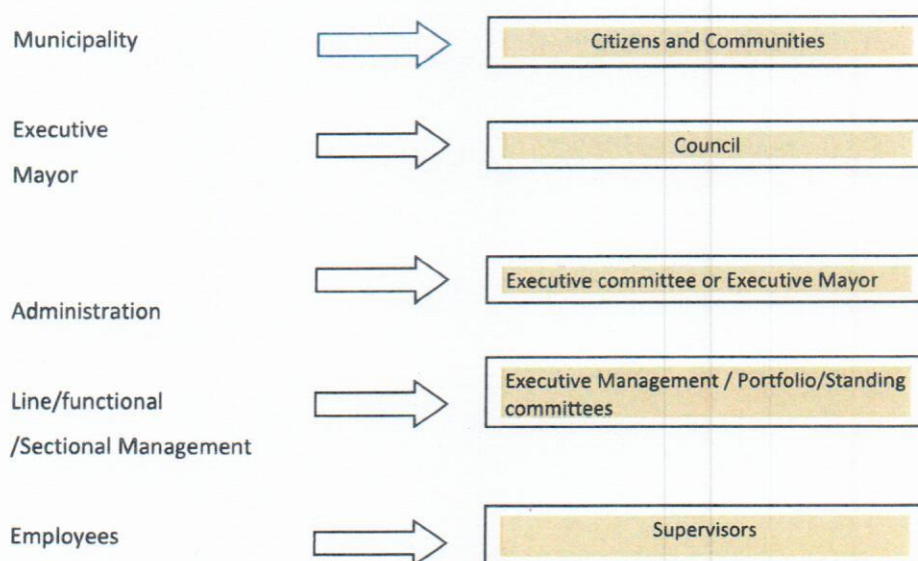
(Source: Performance Management Guide for Municipalities 2001)

7.4   Reporting Formats

While it is important that reporting formats are relevant, useful and cater for the reader's need in reviewing performance, the existence of too many reporting formats can become both confusing and burdensome to the organisation. The ideal situation is the existence of one reporting format that contains the necessary information for all users, yet remains simple and accessible to all users.

7.4.1 Checklist for Good Reports

Does the report:

✓ State the period for which it is reporting;

✓ State the relevant priority for which it is reporting;

✓ Capture all the agreed objectives;

✓ Capture all the agreed indicators;

✓ State agreed targets relevant to the period which the report covers;

✓ Measure current performance over the period for which it is reporting;

✓ Specify when the measurement was done;

✓ Specify the source of the measurement;

✓ Reflect on whether agreed targets have been met;

✓ Analyse the reasons for the level of performance;

✓ Suggest corrective action if necessary;

✓ Remain simple, accessible and useful to the intended reader and

✓ Contain only necessary information.

7.4.2 Tracking and Managing the Reporting Process

To ensure that the reporting processes runs smoothly and effectively, it can be very useful to set up the capacity centrally to:

✓ Track all reporting processes for the year

✓ Prepare logistics for reporting

✓ Develop and improve reporting formats

✓ Track and monitor reporting processes

✓ Control the quality of reports going to reviews at political levels in terms of the criteria for good reports

✓ Analyse performance reports corporately

✓ Compile complete organisational reports and the annual report

✓ Review the reporting process and suggest improvements

7.4.3   Publication of Performance Reports

It is advisable that performance report be compiled in such a way that they are easily accessible and can be readily understood by all users of information. In addition the community as well as all other stakeholder shave a real interest in the performance of the municipality and should therefore be kept abreast by way of regular reports. These may take the form of any of the following:

✓ Press releases;

✓ Press Briefings;

✓ Publication of pamphlets, newsletters;

✓ Radio broadcasts;

✓ Billboards and

✓ Community and stakeholder meetings and presentations.

7.4.4   Public Feedback Mechanisms

Public feedback on reported performance can be obtained, if the public are aware of dedicated mechanisms for submitting feedback such as:

✓ Telephone (preferably toll-free lines)

✓ Fax lines;

✓ Email;

✓ Social media platforms;

✓ Posts;

✓ Feedback boxes at municipal service offices and transport interchanges and

✓ Making the report public through the municipal web site

✓ Radio programmes

7.4.5   Public Hearings on Municipal Performance

It is suggested that performance reports be incorporated in the existing community outreach programmes of the municipality.

It is very important to note that in public participation processes the voice of sectors of the community should be equitably accommodated and acknowledged

7.4.6   Using Performance Audit Mechanisms

In order for the performance management system to enjoy credibility and legitimacy from the public and other stakeholders, performance reports, particularly the annual performance report, must be audited. Audits should ensure that reported performance information is accurate, valid and reliable.

7.4.7   Legal Requirement

The requirement according to section 46 of the Systems Act, the annual performance report must also be audited by the Auditor-General. In the annual reporting process, sufficient time should be allowed between completion of annual reports and the tabling.

After being reviewed by the council, the annual report must then be audited by the Auditor-General and be submitted to the MEC for local government in the province. The MEC is then required to complete an annual report of performance of all municipalities in the province, identifying poor performing municipalities and proposing remedial action and submit to the report to the national minister. The national minister will then present a consolidated report for all the provinces to parliament.

7.4.8   Internal Audits

It is suggested that, over and above the legal requirement, at least quarterly performance reports or any performance report tabled to the executive committee of internal audit. Internal audit functions have traditionally only audited financial matters. Capacity has to be built so that this unit will be competent also audit non-financial information.

7.4.9 Involving Stakeholders in Audits

It is a requirement in terms of the Systems Act that stakeholders such as citizens, community organisations, NGOs, employees and trade unions be involved in the audit process. This will increase the credibility and legitimacy of the performance reports and the audit process.

For particular indicators, specific stakeholder groups are in a good position to help audit from their own experience. A sample of citizens and community organisations can audit the receipt of municipal services such as refuse collection in their own areas from their own experience. NGOs involved in housing issues can help audit the housing programme. Employees and trade unions can help audit employment equity and training and development.

7.5 Organisational Performance and Employee Performance

The performance of an organisation is integrally linked to that of staff. If employees do not perform an organisation will fail. It is therefore important to manage both at the same time. The relationship between organisational performance and employee performance starts from planning, implementation, monitoring and review.

7.5.1 Performance Agreements

The IDP yields a set of indicators and targets. These become an undertaking of the municipality to the community. These should however be incorporated into the municipal managers performance agreement as he is responsible for the implementation of the IDP. The municipal manager may take relevant indicators to section or Departments concerned. These indicators would then become the indicators and targets of the Head of the Department to be incorporated in the performance agreement. The Head may cascade the indicators and targets to lower levels in line with the scope of responsibilities at that level.

7.5.2   Implementation and Monitoring

When projects and programmes are implemented, the municipal manager needs to set up a framework to track performance of all managers who would in turn do the same for lower level staff. The framework, in terms of employee performance management, should clarify:

- ✓ Targets for all levels in the organisation
- ✓ Methods for tracking performance
- ✓ Intervals for reporting
- ✓ Lines of accountability
- ✓ Institutional arrangements

7.5.3   Staff Performance Reviews

The municipal manager must, within the parameters of an employee performance management system set up a framework for performance reviews of staff. The framework should clarify:

- ✓ Areas of performance to be reviewed flowing from IDP
- ✓ Review methods to be used
- ✓ Review intervals
- ✓ Linkages with broader strategic review of the organisation

Figure 7: Planning Implementation and Monitoring Process
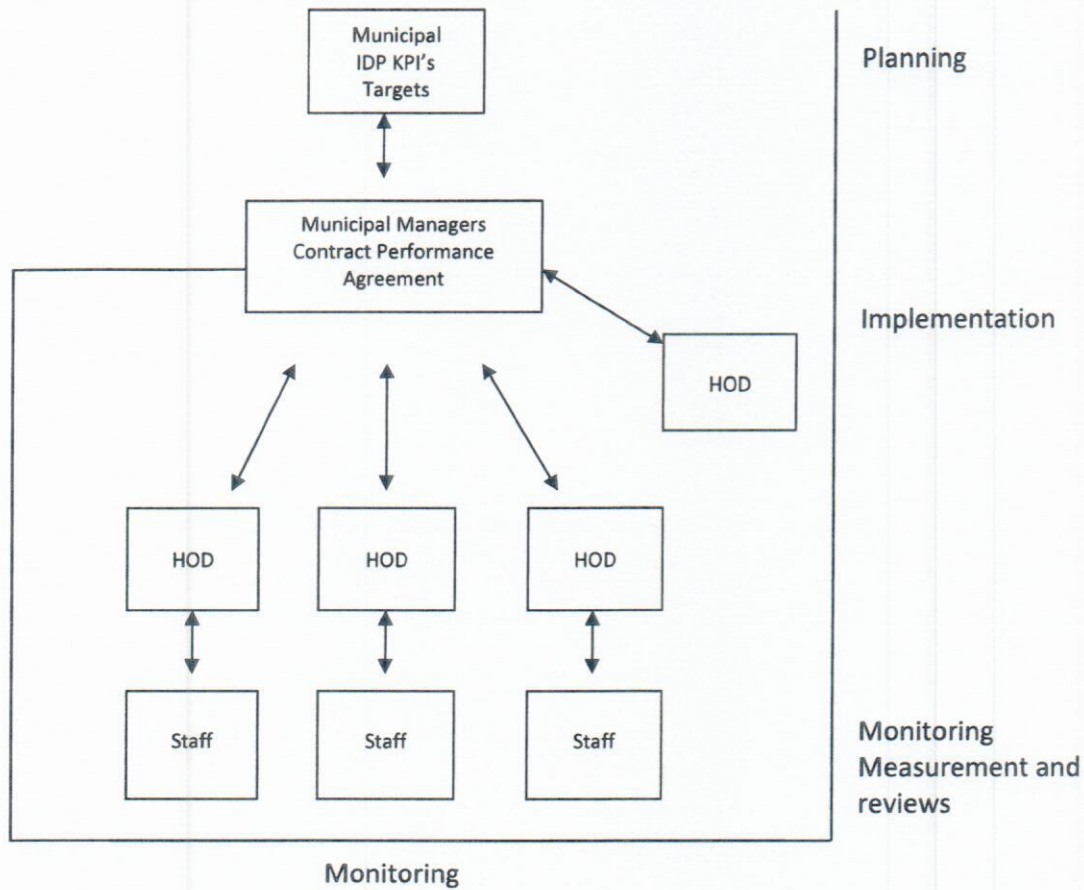
(Source: Performance Management Guide for Municipalities 2001)

CHAPTER 8

CAPACITY BUILDING AND ESTABLISHMENT OF INTERNAL INSTITUTIONAL ARRANGEMENTS

8.1. Introduction

The success of implementation of the municipal performance management system rests on the capacity of line managers, executive management, councillors, citizens and communities to fulfil their role, as highlighted in earlier sections. They will need to be trained in the skills they will require and be supported during implementation.

8.2 Training and Support for Role Players

All stakeholders groups will need some level of training and support to fulfil their commitments in planning, monitoring, reviewing and improving performance. Training and support should be customised for each group.

8.2.1 Councillors

A special training and support programme for councillors could be integrated into a holistic councillor-training programme.

8.2.2 Managers

Training and ongoing support will need to be provided for managers to ensure that they fulfil their roles in planning, monitoring, reviewing and improving performance. This can be integrated into other forms of management training that the municipality provides, such as a management development programme.

8.2.3 Public

Some form of ongoing public education campaign on their role in managing municipal performance would be practical and useful. Depending on the resources the municipality, a training programme for the leadership of civic and community organisations can be strategic.

8.4   Summary of Additional Capacity

Additional capacity will also be required for:

✓ Collating, documenting and managing a database of performance management plans, reports and outcomes of reviews
✓ Measuring all central and long term indicators
✓ Analysing all performance measures at a corporate level
✓ Scheduling all reporting and review processes for the year
✓ Tracking and managing the performance reporting and review process
✓ Conducting internal audits of performance
✓ Preparing logistics for reporting and reviews
✓ Developing and improving reporting formats
✓ Controlling the quality of reports going to reviews at political levels in terms of the criteria for good reports
✓ Compiling complete organisational reports and the annual report
✓ Arranging logistics for reviews
✓ Preparation and dissemination of documentation for reviews
✓ Documenting and archiving the outcome of reviews
✓ Reviewing the PM process and suggesting improvements

From the above we can see that the following capacity is required:

✓ Training and Support for all role-players
✓ Administration of reporting and reviews

✓ Analysis of Reports and measurement of high level, long-term measures

✓ Audits of performance reports

✓ Managing public participation in PM

✓ Managing and improving the performance management process

8.5   Resourcing

The municipality will have to make some important decisions as to how it funds the capacity for the above. The following questions may be helpful, if answered by the municipality, in making decisions about whether these capacities need to be sourced internally or externally:

✓ Do we have the capacity to fulfil the function?

✓ Can we build the capacity in the required timeframes?

✓ Does the effectiveness of the function depend on whether it is provided internally or externally?

✓ Do we have the resources to buy this service in?

It is recommended to provide all these functions within the municipality, if capacity allows it. It is suggested that you only contracts external service providers if capacity is constrained or where specialists are needed. Local municipalities can also request technical support from the District Municipalities.

Below are some suggestions as to who could perform the following key tasks

8.5.1   System Design, Development and Project Management

The municipal performance management system will have to be designed, developed and project managed. It is suggested that a project team representative of the organisation be formed, with a project leader who will ensure the implementation of a workable and effective performance management system. This team will be responsible for managing and improving the performance

management system. It is suggested that the project leader be located in the office of the Municipal Manager.

It is preferable that the majority of the project team as well as the project leader be municipal employees. Municipal employees, rather than external contractors are in a better position to understand your municipality, its needs, the dynamics between stakeholders and consultative processes. If there is a need for specialist skills or advice on the project team from time to time, these skills may be contracted in. It is crucial that municipalities do not contract out the development of their entire performance management system to consultants. Consultants can provide valuable advice, input and products when providing it to an in-house project team who are most likely to make the system fit and work in a useful way. In addition, where consultants are used the transfer of skills should be a permanent feature of the agreement between the municipality and the service provider.

8.5.2   Training and Support

As far as possible the training and support for managers, councillors and the public should be provided internally. The project team, in implementing the project, should provide ongoing support to councillors and managers. Training for managers and councillors should preferably be provided by available in-house training capacity or contracted in under clear and strong specifications as to how the PM system will work. Development facilitators and a public relations office, if available, are best suited to conduct a public education and support campaign. Advocacy NGOs can also be contracted in to support the public.

8.5.3   Administration of Reporting and Reviews

A suggestion is that if the municipality has a committee secretariat function, they should be tasked to fulfil this role.

8.5.4 Measurement and Analysis

A monitoring and evaluation unit can be set up in either the offices of the Municipal Manager. This unit could be attached to the project leader for performance management, and would measure all high-level and long-term KPIs and analyse all performance reports corporately.

8.5.5 Audit

An internal audit department, supplemented where necessary by the monitoring and evaluation unit, specialist service providers or external auditors, can perform this function.

8.5.6 Public Participation

The official responsible for public participation in conjunction with a public relations office and the PM project team can manage the public participation processes in performance management.

8.6 Evaluating and Improving the PMS

In order to ensure that your PMS is useful and effective, it is important to regularly evaluate the performance management system in terms of all its users.

At least once a year, preferably after the annual review process it may be useful, together with a sample group that is representative of all stakeholders, and key decision-makers in the municipality, to evaluate the PMS. If within the resources of the organisation, it may be useful to commission an independent organisation to evaluate the performance management system. It is suggested that the first evaluation of the PMS be conducted at the end of the first year, and then every three years thereafter. These evaluations should result in an improvement plan for the PM system that should be implemented immediately afterwards.

8.7 Networking and Information-sharing

Networking and sharing of information with other municipalities locally and internationally will enhance the usefulness and effectiveness of the municipal performance management system.

A useful idea is the setting up of learning networks, where municipalities of similar capacity in nearby areas can come together, and share problems and successes in implementing a PM system so that each can learn from the others' experiences.

Such learning does not have to be constrained to municipalities near each other as modern communications allow us to share information, virtually without geographical constraints. The Internet and e-mail will allow municipalities easily to share lessons with other municipalities nationally and internationally.

Provincial COGTA will support municipalities in implementing their PMS.

REFERENCES

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2. EThekwini Municipality: Organisational Performance Management Framework

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5. Local Government Municipal Performance Regulations 2001

6. Local Government: Municipal Finance Management Act 2003

7. Performance Management Guide for Municipalities 2001

8. The South African Constitution 1996

9. Resolution of the EXCO Mpumalanga on the Planning and Budgeting Cycle dated 25 June 2012