# JOHN TAOLO GAETSEWE
## DISTRICT MUNICIPALITY

# DRAFT REVIEWED ORGANISATIONAL PERFORMANCE MANAGEMENT SYSTEM FRAMEWORK 2018-2019

BY SERVING WE GOVERN

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# Preface

**The White Paper on Local Government (1998)** proposed the introduction of Performance Management Systems (PMS) for local government as a tool to monitor the progress of service delivery at local government level. Then in 2000, the **Municipal Systems Act (MSA) of 2000**, required local governments to develop a PMS. It concluded that Integrated Development Planning, Budgeting and Performance Management are powerful aspects that can help municipalities to develop an integrated perspective on development in their area. It is against this background that the framework for developing and implementing a PMS should be viewed.

Ideally, the PMS should cover all of the key elements of an organisation's business, which should be reflected in its Vision and Values mission statement and this framework serves that purpose. It also offers the John Taolo Gaetsewe District Municipality a platform to implement, assess, monitor, measure, review, manage and reward performance throughout the Municipality. PMS is dynamic and will change and develop over time to reflect the unique features of the John Taolo Gaetsewe District Municipality environment.

This framework commits the John Taolo Gaetsewe District Municipality to achieving its stated objectives and levels of performance.

# 1. Introduction

South Africa continues to endure the legacy for underdevelopment, poverty, infrastructure backlogs and inequitable access to basic services. In response to these, the government is putting in place various mechanisms and measures to turn the solution around. In the local government context, a comprehensive and elaborate system of monitoring performance of municipalities has been legislated. The system is intended to monitor continuously the performance of municipalities in fulfilling their mandates. Central to the system is the development of key performance indicators as instruments to assess performance. The indicators help to translate complex socio-economic development problems into quantifiable and measurable output. They are, therefore, crucial if a proper assessment is to be done of the impact of government in ensuring "a better life for all."

In this regard, the Municipal **Planning and Performance Management Regulations (2001)** stipulate that a "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players" (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

The Municipal Planning and Performance Management Regulations (2001), further instructs a municipality to ensure that its performance management system:

- Relates to the municipality's employee performance management processes.
- Provides for the procedure by which the system is linked to the municipality's integrated development planning processes.
- Is adopted by the municipality before or at the same time as the commencement of the process of setting key performance indicators and targets in accordance with its integrated development plan.

The **National Treasury's Framework for Managing Programme Performance Information (FMPPI)** further explains that Performance information indicates how well an institution is meeting its aims and objectives, and which policies and processes are working. Making the best use of available data and knowledge is crucial for improving the execution of government's mandate. Performance information is key to effective management, including planning, budgeting, implementation, monitoring and reporting. Performance information also facilitates effective accountability, enabling legislators, members of the public

and other interested parties to track progress, identify the scope for improvement and better understand the issues involved.

The public sector delivers services essential to the well-being and development of the nation. To ensure that public service delivery is as efficient and economical as possible, all government institutions are required to formulate strategic plans, allocate resources to the implementation of those plans, and monitor and report the results. Performance information is essential to focus the attention of the public and oversight bodies on whether public institutions are delivering value for money, by comparing their performance against their budgets and service delivery plans, and to alert managers to areas where corrective action is required.

The performance management system framework should allow the municipality to collect, process, organize, analyze, audit, reflect and report on performance information. It should also allow the municipality to take practical steps to improve its performance, on the basis of information so obtained. The Executive Mayor is responsible for the development and management of the performance management system but may assign the management responsibility for the system to the Municipal Manager in terms of Section 39 of **MSA**.

## 2. Legislative Requirements

As outlined in Section 40 of the **MSA**, John Taolo Gaetsewe District Municipality must establish mechanisms to monitor and review its PMS so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. Section 34 of the MSA furthermore point out that the Integrated Development Plan (IDP) has to be reviewed on an annual basis, and that during the IDP Review process the Key Performance Areas, Key Performance Indicators and Performance Targets are reviewed and this review will form the basis for the review of the municipal PMS and Performance Contracts of Senior Managers.

The PMS is informed by the following legislation and policy:

- The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)
- The White Paper on Transforming Public Service Delivery (Batho-Pele) (1997)
- The White Paper on Local Government (1998)
- The Municipal Systems Act, 2000 (Act 32 of 2000)
- DPLG Performance Management Guidelines 2001
- Municipal Planning and Performance Management Regulations (2001)
- Municipal Finance Management Act, 2003 (Act 56 of 2003)
- Municipal Performance Regulation for Section 57 Employee (2006)

Other legislation that impacts on and relates to performance management includes:

- Labour Relations Act (Act No. 66 of 1995): Code of Good Practice
- Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
- Employment Equity Act, 1998 (Act No. 55 of 1998)
- The Skills Development Amendment Act (Act 31 of 2003)
- Promotion of Access to Information Act (Act 2 of 2000)

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

Chapter 7 which deals with Local Government provides for the establishment of the local sphere of government. The Constitution established a complete new operational framework for Municipalities. There is increased pressure on the fiscal resources of Municipalities with new goals such as the promotion of social and economic development and equity; the promotion of a safe and healthy environment and the encouragement of local community participation in the formulation of policies, programmes and budgets.

**Section 152(1)** of the Constitution sets out the goals and objectives of local government:

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to local communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations' in the matters of local government.

### b. The Batho-Pele White Paper, 1998

An important perspective in the management of the performance of a Municipality is its relationship with its customers, namely, local citizens and partners. The Batho-Pele White Paper (1998) provides an approach to building a culture and practice of customer service that is responsive to the needs of citizens and business as consumers and end-users of municipal services. For this to happen, even within the context of limited resources at the disposal of municipalities, everyone in the public service, needs to do so with a high degree of commitment and a sense of duty, through living the Batho-Pele principles and the new belief set of ***"We belong, We care, We serve"***

Eight (8) Batho-Pele principles were developed to serve as the acceptable policy and legislative framework of service delivery in the public service. These principles are aligned with the Constitutional ideals of:

- Promoting and maintaining high standards of professional ethics;
- Providing service impartially, fairly, equitably and without bias;
- Utilising resources efficiently and effectively;
- Responding to people's needs (citizens are encouraged to participate in policy-making); and
- Rendering an accountable, transparent and development-oriented public administration.

### c. The White Paper on Local Government, 1998

The White Paper on Local Government provides for the development of a coherent planning framework for Integrated Development Planning that informs the effective design and implementation of the Performance Management system on both organisational and individual level, which will:

- Enable planning around the needs prioritised in consultation with community groups;

- Facilitate vertical integration with the national and provincial policies and programmes, and;
- Gear municipal resources and capacity to meet the objectives identified in the IDP's.

In order to support the integrated development planning the White Paper advocated the development of a performance management system with the aim to:

- Enable realistic planning;
- Allow municipalities to assess the impact of their administrative reorganisation processes and development strategies; and
- Enhance local government accountability.

**d. The Municipal Systems Act 32 of 2000**

The Systems Act determines specifically that individual Municipalities should develop their own performance management systems in the interest of efficient and effective management. This is achieved through planning targets and the achievement and maintenance of quality and accountability in the delivery of projects and services to the communities within the Municipality. The following is required of municipalities in terms of the Act:

**Section 38:**

- Establish a PMS that is commensurate with its resources, best suited to its circumstances and in line with the priorities, objectives and targets in the IDP.
- Promote a culture of performance management among its political structures, political office bearers and councillors and in its administration.

**Section 41:**

- Set appropriate key performance measures (indicators) as a yardstick for measuring performance with regard to the development priorities and objectives in the IDP.
- Set measurable performance targets for each of those development priorities and objectives.
- Monitor performance.
- Measure and evaluate performance at least once per year.
- Take steps to improve performance.
- Establish a process of regular reporting to Council, other political structures, political office bearers and staff of the Municipality; and of the public and appropriate organs of state.

**Section 42:**

Involve the local community in the development, implementation and review of the Municipality's PMS, and, in particular, allow the community to participate in the setting of appropriate measures and targets.

**Section 44:**

Make known, both internal and to the general public, the performance measures and targets set by it for the purposes of its PMS.

**Section 45:**

Audit the results of the performance measurement as part of internal auditing processes and annually by the Auditor General.

**Section 46:**

Publish an annual performance report reflecting the performance of the Municipality and of each external service provider; a comparison of the performances with targets; and measures taken to improve performance.

### e. Performance Management Guidelines for Municipalities, 2001

The Local Government and Batho-Pele White Papers, the Municipal Systems Act and the Municipal Performance Management Regulations do not constitute a framework that details how performance management processes should be undertaken in municipalities. Each Municipality is expected to develop such a framework themselves, and The Department of Provincial and Local Government prepared the Performance Management Guidelines for Municipalities (2001) to assist municipalities in this. This framework is informed by the aforementioned guidelines.

### f. Municipal Performance Management Regulations, 2001

The Municipal Planning and Performance Management Regulations deal in more detail with the following aspects of the PMS in regulations 7 to 15: The performance framework that describes and represents how the Municipality's cycle and processes of performance planning, monitoring, measurement, evaluation, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

- The setting of performance measures (indicators) and the involvement of communities in this.
- The general key performance indicators.

- The annual review of measures as part of the performance review process.
- The setting of performance targets for each of the measures.
- The monitoring, measurement and evaluation of performance.
- Internal auditing of performance measurements.
- Community participation in respect of performance management.

### g. Municipal Finance Management Act, 2003

The Municipal Finance Management Act links financial management, performance management and the IDP in no uncertain terms, e.g. –

**Section 17:**

An annual budget, when it is tabled in Council for approval, must be accompanied by measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the Municipality's IDP.

**Section 24:**

An annual budget must be approved together with the adoption of resolutions approving abovementioned performance objectives.

**Section 53:**

The Municipality's service delivery and budget implementation plan (SDBIP) must include service delivery targets and performance measures for each quarter. The annual performance agreements must be linked to the measurable performance objectives approved with the budget and to the SDBIP.

**Section 72:**

There must be a mid-year budget and performance assessment in January of each year.

### h. Performance Management Regulation for Municipal Managers and Section 57 Managers, 2006

The Municipal Performance Management Regulation for Section 57, seek to provide a uniform framework that can be applied by local, district and metropolitan municipalities whilst recognising their unique conditions.

- These regulations seek to provide for practical mechanisms and enablers in implementation, monitoring and evaluation of service delivery and development.
- In view of the need to on the one hand, attract and retain skilled managers in municipalities and on the other hand the need to provide clarity on remuneration and conditions of employment, the regulations set specific principles in this regard.
- The determination of remuneration should be competency-based, market related and appropriate to local conditions.
- The recognition of outstanding performance remains an important part of performance management. However, it is proposed that bonuses be awarded on a sliding scale ranging from 5% to a maximum of 14%.

### i. Labour Relations Act, No. 66 of 1995

In addition, The Labour Relations Act (LRA), of 1995, through the *Code of Good Practice: Dismissal* provides guidelines on the management of poor performance. These provisions in the *LRA* are of significance in that they preceded the other pieces of legislation on Local Government and provide a legal basis for the implementation of performance management

### j. Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)

This Act links to performance management in that the purpose of this Act is, among other things, to give effect to and regulate the right to fair labour practices conferred by section 23 (1) of the Constitution – as stipulated in Section 2 (a). It also provides for the enforcement of basic conditions of employment for employees on contracts. The Act further makes provisions regarding incapacity and rights of employees.

### k. Employment Equity Act, 1998 (Act No. 55 of 1998)

It is required by Chapter Two, Section 5 that the '... employer must take steps to promote opportunity in the workplace by eliminating unfair discrimination in any employment policy or practice'. In defining 'employment policy or practice' the Act indicates in Chapter One (1) (h) that this includes any 'performance evaluation system'.

### l. The Skills Development Amendment Act (Act 31 of 2003)

This Act refers to the need to budget for at least one per cent of the payroll for the training and education of employees, with effect from 1 April 2000. This training and development links to the requirement of performance management for individual development plans.

### m. Promotion of Access to Information Act (Act 2 of 2000)

This Act seeks to foster a culture of transparency and accountability in public and private bodies by giving effect to the right of access to information, including access to performance information.

### n. Other documents used for referencing

The Municipality has taken into account the concerns raised by the AG in using the **FMPPI** for managing its performance information. A number of issues have been included in the framework reflecting directly and indirectly.

## 3. Planning, Budgeting and Reporting

The planning, budgeting and reporting cycle describes the relationship between these processes and emphasises that the executive is accountable to the relevant elected representative body for the entire process. Full and regular reports are required at each stage of the process.

At any given time within government, information from multiple years is being considered: plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

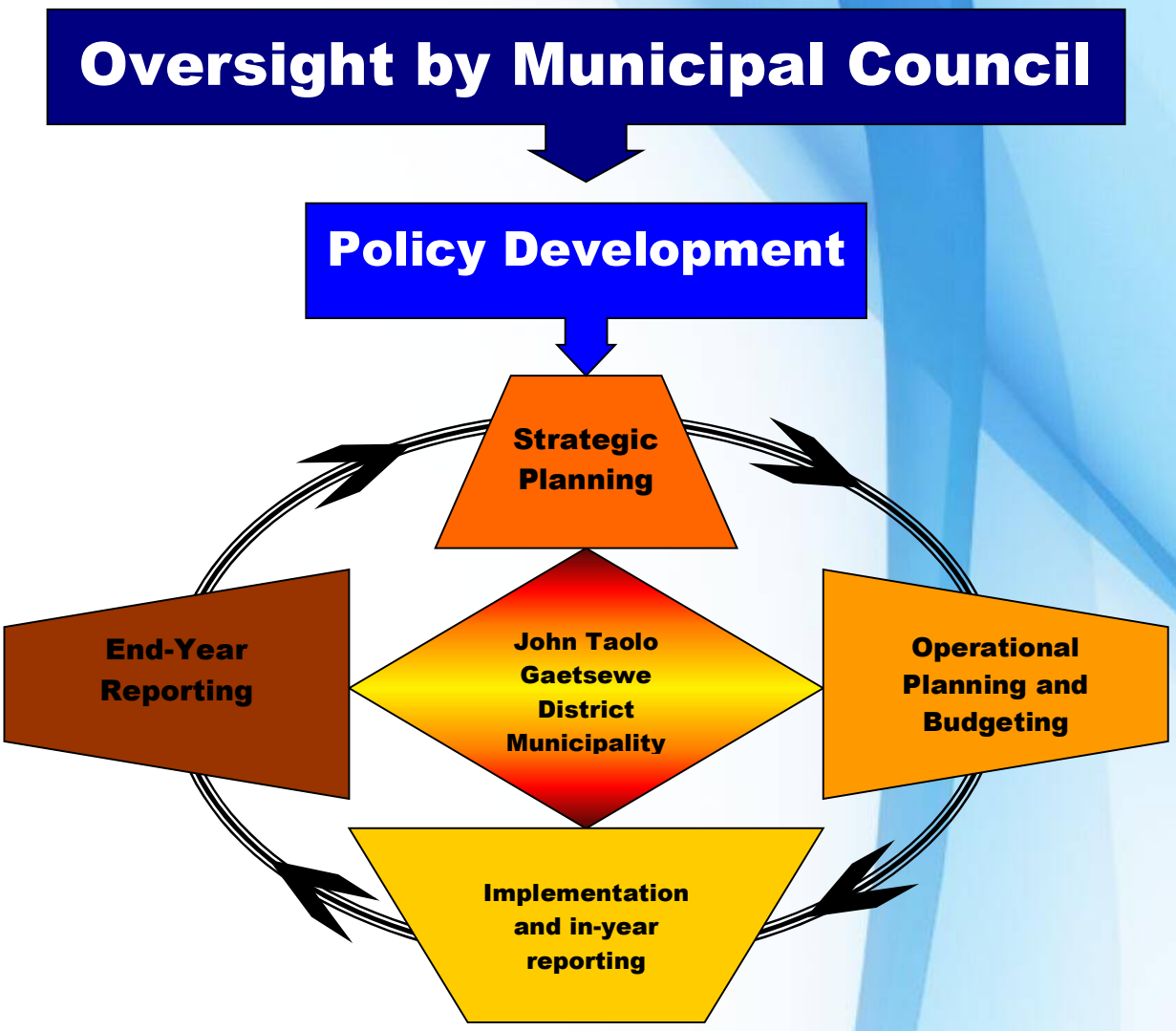


**Figure 1: Planning, Budgeting and Reporting Cycle**

It is important to remember that the Municipality's PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to gauge the progress made in achieving the objectives as set out in the IDP. The PMS process includes the following objectives that the system should in addition fulfil:

**a. Facilitate increased accountability**

The performance management system should provide a mechanism for ensuring increased accountability between the local community, politicians, the Municipal Council and the municipal management team.

**b. Facilitate learning and improvement**

The PMS should facilitate learning in order to enable the Municipality to improve delivery.

**c. Provide early warning signals**

It is important that the system ensure decision-makers are timeously informed of performance related risks, so that they can facilitate intervention, if necessary.

**d. Facilitate decision-making**

The performance management system should provide appropriate management information that will allow efficient, effective and informed decision-making, particularly on the allocation of resources.

The functions listed above are not exhaustive, but summarise the intended benefits of the system.

# 4. Purpose of the Framework

The Municipality must develop, as part of the PMS, a framework which will deal with the "how" to work with performance information, hence a performance management framework is the way the Municipality collects, presents and uses its performance information. It is a practical plan, made up of mechanisms and processes, for the Municipality to collect, process, arrange and classify, examine and evaluate, audit, reflect on and report performance information. These mechanisms and processes work in a cycle which must be inked to the Municipality's normal planning (IDP and otherwise) and the annual budgeting cycle.

## a. Components of Performance Management Framework

The annual process of managing performance at organisational level in the Municipality involves the steps as set out in the diagram below:

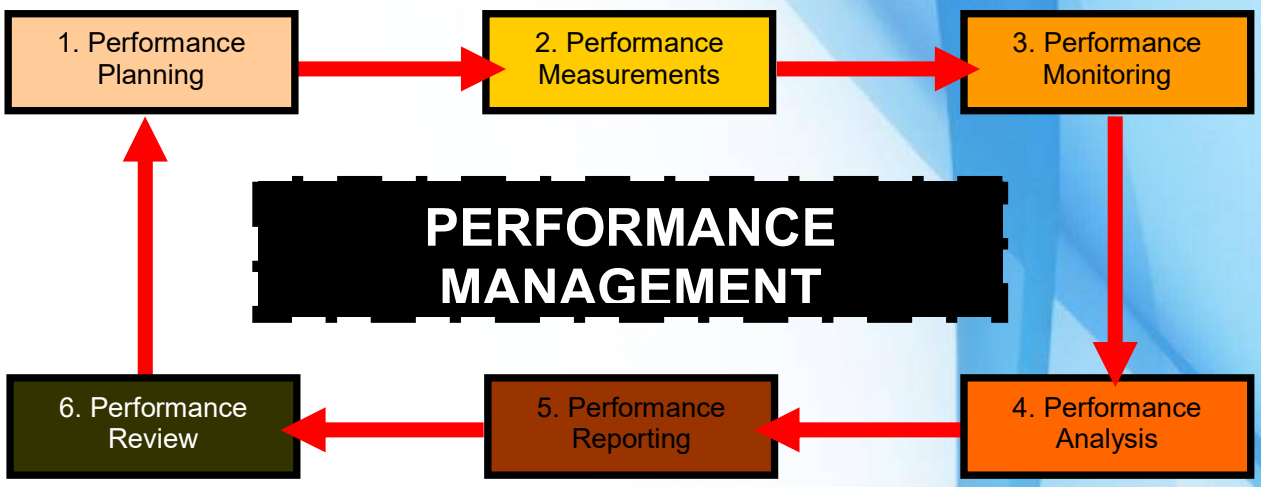


**Figure 2: Components of PMS Framework**

## b. Clarifying roles and responsibilities of stakeholders and role-players

It is important to understand the duties, roles and responsibilities of the different stakeholders and role-players in the various processes that together constitute the framework of the PMS. It is important that the accountabilities and relationships and priorities of the various stakeholders are set to ensure that there is a complete understanding of the participation, consultation and involvement of all stakeholders for maximum inputs into, and success of the PMS. The PMS is a component of Municipal governance and management systems that is aimed at ensuring that the performance of the Municipality is developmental, while

complementing the planning and budgeting processes as an integral part of organisational and individual management. It involves a wide variety of stakeholders, all of whom play a vital and integral part in the overall success of the PMS. There are a variety of tasks that have been identified as being an integral part of the PMS. The schedule hereunder sets out the tasks, which should not be seen as a chronological sequence of occurrences and events.

The tasks, together with the appropriate stakeholders/role-players (with their roles and responsibilities), are the following:

| Task | Stakeholders / Role-Players | Roles and Responsibility |
|---|---|---|
| **Developing and sanctioning the PMS process** | Mayoral Committee | Ratify and adopt the PMS |
| **Developing measures** | Officials | Provide the IDP documentation and (when appropriate) the PMS documentation of the previous reporting period |
| | | Provide inputs into the process with reference to the available resources within their respective departments |
| | | Document the measures |
| | | Provide the schedule of measures to relevant stakeholders |
| | Councillors | Provide inputs into the process with reference to the needs and requirements of their constituents and the communities |
| | | Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations |
| | Local community and Public | Provide inputs into the process with reference to their specific needs and requirements |
| **Setting targets** | Officials | Provide inputs into the process with reference to the available resources within their respective departments |
| | | Document the targets |
| | | Provide and publicise the schedule of targets to the relevant stakeholders |
| | Councillors | Provide inputs into the process with reference to the needs and requirements of their constituents and the communities |
| | | Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations |
| | Local community and public | Provide inputs into the process with reference to their specific needs and requirements |
| **Linking measures and targets to performance commitments of staff** | Municipal Manager | Prepare performance agreements with agreed and approved measures and targets |
| | | Ensure that the measures and targets in the performance agreements of senior managers are linked with his/her agreement |
| | | Ensure that all performance agreements are publicised |
| | | Provide inputs into their performance agreements |
| | | Ensure that the measures and targets of their departments and subordinates are linked with their agreements |
| | Mayoral Committee | Ratify and adopt the performance agreements |
| | Executive Mayor | Monitor and evaluate (according to agreed schedule) the measures and targets of the Municipal Manager |
| | Municipal Manager | Monitor and evaluate (according to agreed schedule) the measures and targets of Senior Managers |
| | | Ensure that the results are documented and publicised to the relevant stakeholders |

| | | |
|---|---|---|
| **Information collection, processing and analysis** | Councillors | Provide inputs into the process with reference to the contribution and participation of their constituents and the communities |
| | | Engage with the council officials to ensure all information made available |
| | | Examination, scrutiny and critical analysis of measures, targets, outputs and outcomes |
| | Officials | Collect process and provide the relevant and appropriate information from their respective departments |
| | Local community and public | Provide inputs into the process with reference to their specific needs and requirements |
| **Auditing of information** | PMS Manager | Collect and process relevant and appropriate information from departments |
| | | Examination, scrutiny and critical analysis of information from departments |
| | Performance Audit Committee | Examination, scrutiny and critical analysis of information from departments |
| | Auditor General | Collect, process and provide the relevant and appropriate information from the Municipality |
| | | Examination, scrutiny and critical analysis of information from departments |
| **Audit Reporting** | Internal Auditor | Provide an independent audit report to the Audit Committee |
| | Performance Audit Committee | Provide an independent audit report to the Municipal Manager and the Mayoral Committee |
| **Reporting to National and Provincial Government and the Auditor General** | Municipal Manager | Provide approved relevant and appropriate information and reports |
| **Reporting to communities** | Municipal Manager | Ensure that the results are documented and publicised to the relevant stakeholders |
| **Review of performance management and setting of new measures and targets** | Officials | Provide inputs into the process with reference to the available resources within their respective departments |
| | | Document the measures and targets |
| | | Provide and publicise the schedule of revised measures and targets to relevant stakeholders |
| | Councillors | Provide inputs into the process with reference to the needs and requirements of their constituents and the communities |
| | | Engage with the officials to ensure maximum utilisation of the resources taking into account the budgetary guidelines and possible limitations in the light of the revised measures and targets |
| | Local community and public | Provide inputs into the process with reference to their specific needs and requirements in the light of the revised measures and targets |

**Table 1: Roles and Responsibility**

### c. Setting measures and targets

The setting of measures and targets happens during the IDP process and is linked to the strategic objectives of the IDP. Performance measures and targets are used to show how the Municipality is performing on its objectives. This stage comprises setting measures and targets, and then gathering data

and information on these measures to assess the progress of the Municipality. Performance measurement allows Municipalities to compare their actual performance to their intended performance, and against nationally defined minimum standards. It will also, in time, allow for the comparison of their performance against that of other Municipalities. Incorporating the General Key Performance Indicators

The following general key performance indicators are prescribed in **Section 10 of the Municipal Planning and Performance Management Regulations, 2001** and must be reported on annually:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- The percentage of households earning less than R1100 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 integrated development plan;
- The number of jobs created through 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 a municipality's approved employment equity plan;
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan; and
- Financial viability as expressed by ratios that measure debt coverage, outstanding service debtors to revenue, and cost coverage.

### d. Performance planning

The performance of the Municipality is to be managed in terms of its IDP and the process of compiling an IDP and the annual review thereof constitutes the process of planning for performance. It should be noted that the last component of the cycle is that of performance review and the outcome of such a review process must inform the next cycle of IDP compilation/review by focusing the planning processes on those areas in which the Municipality has underperformed.

### e. Performance measurement

Performance measurement refers to the formal process of collecting and capturing performance data to enable reporting to take place for each key performance indicator and against the target set for such indicator. The setting of measures and targets happens during the IDP process and is linked to the strategic objectives of the IDP. To ensure the integrity of the targets set, baseline information based on backlog and current performance should be used as the basis for setting sound measures and targets.

Performance measurement allows the Municipality to compare their actual performance in relation to backlog and current performance.

### f. Performance monitoring

Performance monitoring is an ongoing process by which a Manager accountable for a specific indicator as set out in the organisational scorecard (and a service delivery target contained in a SDBIP) continuously monitors current performance against targets set. The aim of the monitoring process is to take appropriate and immediate interim (or preliminary) action where the indication is that a target is not going to be met by the time that the formal process of performance measurement, analysis, reporting and review is due.

### g. Performance analysis

Performance analysis involves the process of making sense of measurements. It requires interpretation of the measurements as conducted in terms of the previous step to determine whether targets have been met and exceeded and to project whether future targets will be met or not. Where targets have not been met performance, analysis requires that the reasons therefore should be examined and corrective action recommended. Where targets have been met or exceeded, the key factors that resulted in such success should be documented and shared so as to ensure organisational learning.

The analysis of the organisational and SDBIP scorecards by executive management should also ensure that quality performance reports are submitted to the Mayoral Committee and that adequate response strategies are proposed in cases of poor performance. Only once executive management has considered the scorecards, agreed to the analyses undertaken and captured therein and have reached consensus on the corrective action as proposed, can the organisational and SDBIP scorecards be submitted to the Mayoral Committee for consideration and review.

### h. Performance review and improvement

In order to ensure that the PMS is useful and effective, it is important for regularly reviews in terms of all its users. This is also required by the Municipal Systems Act. It is proposed that after the full cycle of the annual review is complete, the executive management will initiate a review report, taking into account the input provided by departments. This report will then be submitted to the Mayoral Committee for discussion and approval.

## i. Performance reporting

**In-year performance reporting and review -** The submission of the performance reports on scorecards to the Mayoral Committee for consideration and review of the performance of the Municipality as a whole is the next step in the process. The first such report is a major milestone in the implementation of any PMS and it marks the beginning of what should become a regular event namely using the performance report as a tool to review the Municipality's performance and to make important political and management decisions on how to improve.

As indicated earlier it is recommended that the performance report on organisational and SDBIP scorecards be submitted to the Mayoral Committee for consideration and review on a quarterly basis. The reporting should therefore take place in October (for the period July to end of September - quarter 1 of the financial year), January (for the period October to the end of December - quarter 2), April (for the period January to the end of March - quarter 3) and July (for the period April to the end of June - quarter 4). See illustrated diagram:

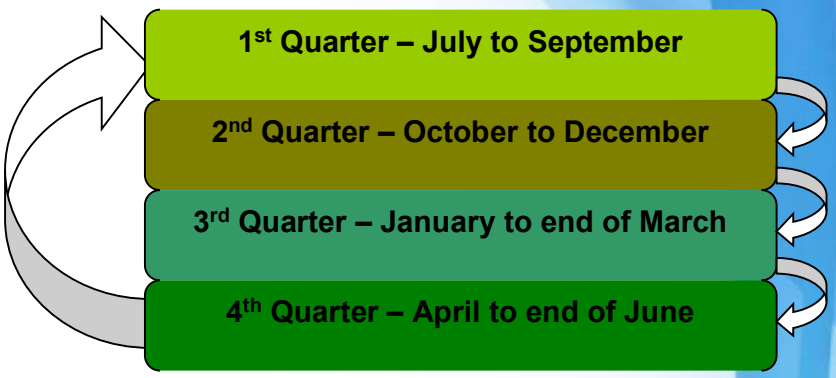


**Figure 3: Quarterly Performance Reporting**

The review in January will coincide with the mid-year performance assessment as per section 72 of the MFMA. The said section determines that the accounting officer must by 25 January of each year assess the performance of the municipality and report to the Council on inter alia its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set out in its SDBIP.

The Mayoral Committee in reviewing the performance report on organisational and departmental scorecards submitted to it will have to ensure that targets committed to in the scorecard have been met, where they have not, that satisfactory and sufficient reasons have been provided by executive management and that the corrective action being proposed is sufficient to address the reasons for

poor performance. If satisfied with the corrective action as proposed these must to be adopted as formal resolutions of Council, recorded and implemented accordingly.

**Annual performance reporting and review -** On an annual basis a comprehensive report on the performance of the Municipality also needs to be compiled. The requirements for the compilation, consideration and review of such an annual report are set out in Chapter 12 of the MFMA. In summary it requires that:

- All municipalities for each financial year compile an annual report
- The annual report be tabled within seven months after the end of the financial year
- The annual report immediately after it has been tabled should be made public and that the local community should be invited to submit representations thereon
- The municipal Council consider the annual report within nine months after the end of the financial year and adopt an oversight report containing the council's comments on the annual report
- The oversight report as adopted be made public
- The annual report as tabled and the Council's oversight report be forwarded to the Auditor-General, the Provincial Treasury and the department responsible for local government in the Province
- The annual report as tabled and the Council's oversight report are submitted to the Provincial legislature

The oversight report to be adopted provides the opportunity for full Council to review the performance of the Municipality. The requirement that the annual report once tabled and the oversight report be made public similarly provides the mechanism for the general public to review the performance of the Municipality. It is however proposed that in an effort to assist the public in the process and subject to the availability of funding, a user-friendly citizens' report be produced in addition to the annual report for public consumption. The citizens' report should be a simple, easily readable and attractive document that translates the annual report for public consumption.

It is also proposed that annually a public campaign be embarked upon to involve the citizens of the Municipality in the review of municipal performance over and above the legal requirements of the Municipal Systems Act and the MFMA. Such a campaign could involve all or any combination of the following methodologies:

- Various forms of media including radio, newspapers and billboards should be used to convey the annual report.
- The public should be invited to submit comments on the annual report via telephone, fax and email.

- Public hearings could be held in a variety of locations to obtain input of the annual report.
- Making use of existing structures such as ward and/or development committees to disseminate the annual report and invite comments.
- Hosting a number of public meetings and road-shows at which the annual report could be discussed and input invited.

The following table derived from the legislative framework for performance management and summarises for ease of reference and understanding the various performance reporting as it applies to the Municipality:

| TYPE OF REPORT | DESCRIPTION OF REPORT |
|---|---|
| **Quarterly IDP and SDBIP** | The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end-of-year service delivery targets, set in the budget and IDP. It determines the performance agreements for the municipal manager and all top managers, whose performance can then be monitored through Section 71 monthly reports and evaluated through the annual report process.<br><br>The SDBIP information on revenue will be monitored and reported monthly by the municipal manager in terms of Section 71(1)(a) and (e). For example, if there is lower than anticipated revenue and an overall cash shortage in a particular month the municipality may have to revise it's spending downwards to ensure that it does not borrow more than anticipated. More importantly, such information requires the municipality to take urgent remedial steps to ensure it improves on its revenue collection capacity if the municipality wants to maintain its levels of service delivery and expenditure.<br><br>Section 1 of the MFMA, Act 56 of 2003 states that the SDBIP as a detailed plan approved by the mayor of a municipality in terms of service delivery should make projections for each month of the revenue to be collected, by source, as well as the operational and capital expenditure, by vote. The service delivery targets and performance indicators need to be reported on quarterly (MFMA, 2003). |
| **Mid-Year Budget and National and Provincial Reporting** | Section 72 of the MFMA requires the accounting officer to prepare and submit a report on the performance of the municipality during the first half of the financial year. The report must be submitted to the mayor, National Treasury as well as the relevant Provincial Treasury. As with all other reports this is a crucial report for the Council to consider mid-year performance and what adjustments should be made, if necessary. |
| **Annual Performance** | Section 46 of the Municipal Systems Act states that a municipality must prepare for each financial year, a performance report that reflects the following:<br><br>• The performance of the municipality and of each external service provided during that financial year;<br>• A comparison of the performances referred to in the above paragraph with targets set for and performances in the previous financial year; and<br>• Measures to be taken to improve on the performance<br><br>The performance report must be submitted at the end of the financial year and will be made public as part of the annual report in terms of chapter 12 of the MFMA. The publication thereof will also afford the public the opportunity to judge the performance of the municipality against the targets set in the various planning instruments. |

| | |
|---|---|
| **Annual** | Every municipality are required by Section 121 to prepare an annual report for each financial year, which must include:<br>• the annual financial statements of the municipality or municipal entity as submitted to the Auditor-General for audit (and, if applicable, consolidated annual financial statements);<br>• the Auditor-General's audit report on the financial statements;<br>• an assessment by the accounting officer of any arrears on municipal taxes and service charges;<br>• particulars of any corrective action taken or to be taken in response to issues raised in the audit reports;<br>• any explanations that may be necessary to clarify issues in connection with the financial statements;<br>• any information as determined by the municipality;<br>• any recommendations of the municipality's performance audit committee;<br>• an assessment by the accounting officer of the municipality's performance against the measurable performance objectives for revenue collection and for each vote in the municipality's approved budget for the relevant financial year;<br>• the annual performance report prepared by a municipality; and<br>• any other information as may be prescribed. |
| **Oversight** | The council of a municipality must consider the municipality's annual report (and that of any municipal entity under the municipality's control), and in terms of Section 129, within two months from the date of tabling of the annual report, must adopt an oversight report containing the Council's comments, which must include a statement whether the Council:<br>• has approved the annual report with or without reservations;<br>• has rejected the annual report; or<br>• has referred the annual report back for revision of those components that can be revised.<br>In terms of Section 132, the following documents must be submitted by the accounting officer to the provincial legislature within seven days after the Municipal Council has adopted the relevant oversight report:<br>• the annual report (or any components thereof) of each municipality and each municipal entity in the province; and<br>• all oversight reports adopted on those annual reports. It is important to note that the oversight committee working with these reports should be chaired by the opposition party. |

**Table 2: Types of reports**

## j. Balanced Scorecard

A balanced scorecard, is a multi-dimensional framework designed to make an organisation think about every aspect of its work and make action to improve it. Properly developed it acts not only as a means of measuring organisational performance, but also as a way of clarifying objectives and managing the critical success factors that impact upon their delivery.

The approach is also used to link the municipalities' Mission and Vision with its objectives. These are further cascaded down through the SDBIP. The latter informs the budget process of the municipality.

With an emphasis on "balanced'', the scorecard uses four perspectives, (see Section 5 for detailed explanation for each perspective) to answer critical service delivery questions. This provides the balance that successful organisations seek in measuring performance.

| Perspective | Definition | Leading Question |
|---|---|---|
| **Customer** | The municipality must focus on how to meet services required by community. | Is the organization delivering the services communities or its customers want? |
| **Financial** | The municipality must focus on how to meet service needs in an efficient manner. | Is the service delivered at a good price? |
| **Internal Business** | The municipality needs to focus on those critical operations that enable them to satisfy citizens. | Can the organisation improve upon a service by changing the way a service is delivered? |
| **Innovation, Learning and Growth** | The organization's ability to improve and meet citizen demands ties directly to the employees' ability to meet those demands. | Is the organisation maintaining technology and employee training for continuous improvement? |

**Table 3: Four Perspective of a balanced scorecard**

**Customer:** The following are key question that must be posed by a municipality to assist it to develop measures for this perspective:

- Access: Is it easy for your stakeholders to access your services and products?
- Timelines: Do your stakeholder save time as a result of the service and the manner in which it is provided?
- Selection: Are your service offerings meeting the expectation of your stakeholders?
- Efficiency: Can transaction involving stakeholders be completed easily and accurately at one place?

**Internal business:** The following are core processes that a municipality should consider when developing measures for this perspective:

- Quality: The focus here is on providing quality services and products as well as continuous improving on quality.
- Innovation: Business processes need to change continuously in order to respond to changes in its stakeholders, environment and employees.
- Partnering: Forming partnerships with other organisations and organisations that excel in certain business process.

**Innovation, Learning and Growth:** The following are critical measurements areas for this perspective:

- Human Capital: It is important for organisations to determine the skills they require and determine skills gaps in order to provide appropriate interventions such as training. Municipalities have to develop comprehensive retention strategies to be able to recruit suitable skills as well as retain them.
- Information Technology: IT is critical organisation infrastructure that municipalities spend a lot of money on. It is important that investment in IT improves the ability of municipalities to serve its stakeholders and benefit stakeholders.
- Organisational Climate: It is important that organisations create conducive environment for them to meet their mission and objectives. Staff satisfaction is critical to improved organisational performance and meeting stakeholders' needs. Communicating with employees on organisational goals, their role and the organisation's expectations of them.

**Financial:** The following factors must be considered when developing measures for the financial perspective:

- Cost of Product or Service Delivery: Determining the cost of delivering a product or service will also with improving on delivery on the service in a more cost effective manner.
- Revenue Enhancement: It should the responsibility of all managers in municipalities to seek ways of improving revenue and diversifying on funding.
- Financial Systems: Sound financial systems to produce relevant, reliable and timely financial information are critical to decision-making and financial management.
- Prudent Financial Management: Managers and other employees managing budgets must ensure that money in budgets is only spent to achieve set objectives and the workforce is encourage to be cost efficient and effective.

An organisation adopts a balanced scorecard framework to ensure that each element of the performance management framework is given equal importance. This is important, given:

- the inter-dependency of the four key perspectives identified above in ensuring that quality services are provided;
- the inter-dependency of the different departments in an organisation in delivering each objective; and
- the need for effective links between Integrated Development Plan (IDP), Municipal Service Delivery and Budget Implementation Plan (SDBIP) , Departmental SDBIP and budget setting.

## k. How a performance management system and a balanced scorecard fit into an organisation's processes and procedures

The following diagrams explain the relationship. The first diagram shows the link between the scorecard and the Vision and Mission, Strategic Objectives, Critical Success Factors and Key Performance Indicators discussed in Sections 5 and 6 of the framework.

The second diagram shows the link between the scorecard and the key perspectives of an organisation's business – as discussed in Section 4 of the framework. The acronyms used are SO (Strategic Objective), CSF (Critical Success Factor) and PI (Performance Indicator).

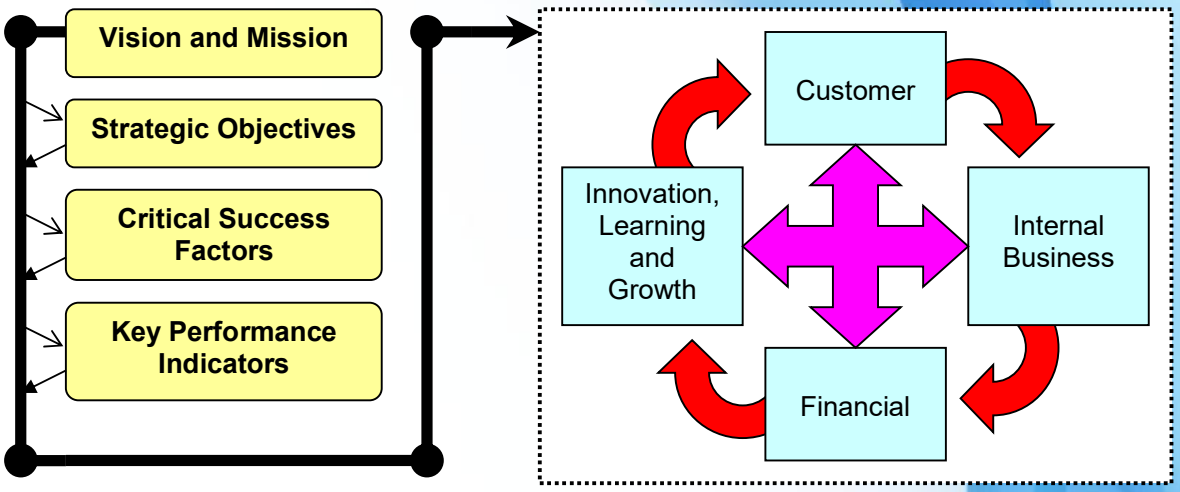


**Figure 3: Balance Scorecard**

## l. Service Delivery and Implementation Plans

Section 57 Employees annually enter into Performance Agreements with the municipality. The Municipal Manager signs the agreement with the Executive Mayor, while the rest of the section 57 employees sign agreements with the municipal manager. The Performance Agreements are based on the municipality's Municipal/Top-Layer SDBIP and the Departmental/Technical SDBIPs. Based on the technical SDBIP, Heads of Department may also enter into Performance Agreements (PA) with their respective line managers.

A performance appraisal system of Executive Managers and managers must be outlined in the agreement and must provide for quarterly and annual performance appraisal. The vertical cascade linkage is a

downward cascading which links various Municipal process outputs with those of individuals in planning, monitoring progress and evaluation.

According to the strategic and operational levels, the initial parts of the strategic component refer more to the organisation while the lower parts of the operational levels are largely for the individuals. The diagram below helps to clarify the cascading linkages:

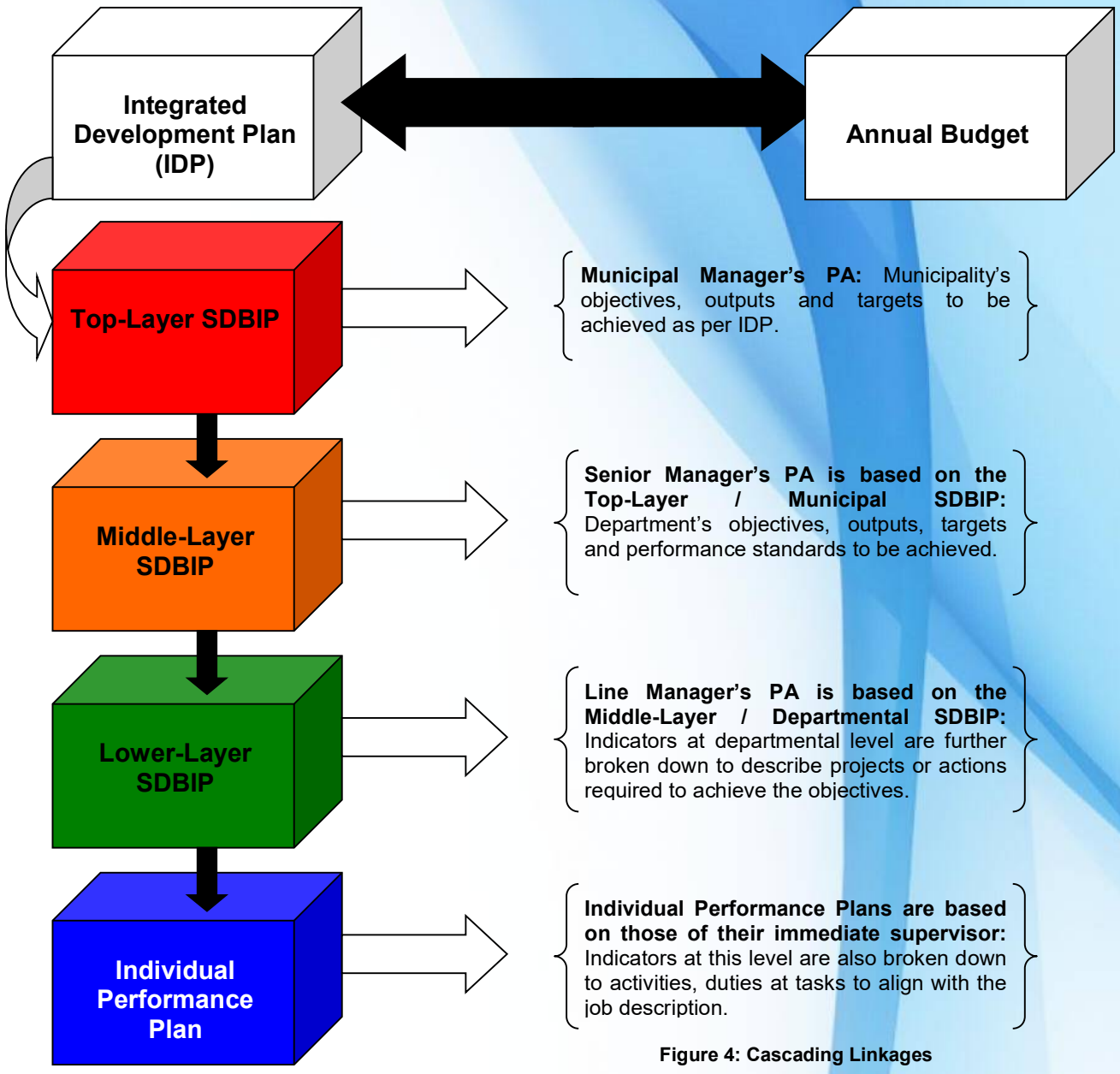


**Figure 4: Cascading Linkages**

# 5. Key Performance Information Concepts

Analyses of KPI's are done according to Chapter 3 of the FMPPI. The following diagram shows how the SDBIP's have developed to address the above mentioned issues:

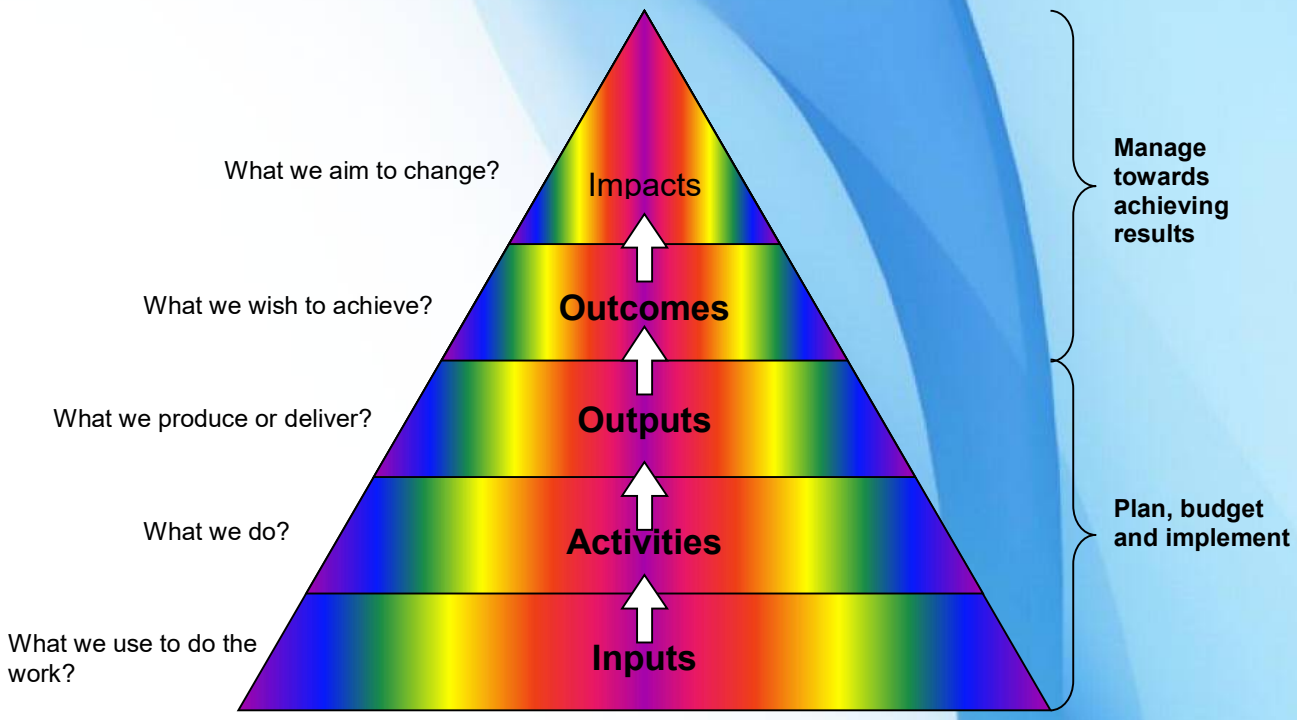


**Figure 5: Key Performance Information Concepts**

Performance information needs to be structured to demonstrate clearly how government uses available resources to deliver on its mandate.

1. **Inputs, activities, outputs, outcomes and impacts**

   When describing what government institutions do for purposes of measuring performance the following terms are used:

   (a) **Inputs:** all the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.

   (b) **Activities:** the processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe "what we do".

   (c) **Outputs:** the final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver".

(d) **Outcomes:** the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".

(e) **Impacts:** the results of achieving specific outcomes, such as reducing poverty and creating jobs.

When monitoring and assessing outcomes and impacts; it needs to be kept in mind that government interventions can also have unintended consequences. These also need to be identified and monitored so that risks can be managed and corrective action can be taken.

In managing for results, budgets are developed in relation to inputs, activities and outputs, while the aim is to manage towards achieving the outcomes and impacts.

## 2. Performance indicators

Suitable indicators need to be specified to measure performance in relation to inputs, activities, outputs, outcomes and impacts. The challenge is to specify indicators that measure things that are useful from a management and accountability perspective. This means managers need to be selective when defining indicators.

Defining a good performance indicator requires careful analysis of what is to be measured. One needs to have a thorough understanding of the nature of the input or output, the activities, the desired outcomes and impacts, and all relevant definitions and standards used in the field. For this reason it is important to involve subject experts and line managers in the process.

A good performance indicator should be:

(a) **Reliable:** the indicator should be accurate enough for its intended use and respond to changes in the level of performance.

(b) **Well-defined:** the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.

(c) **Verifiable:** it must be possible to validate the processes and systems that produce the indicator.

(d) **Cost-effective:** the usefulness of the indicator must justify the cost of collecting the data.

(e) **Appropriate:** the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.

(f) **Relevant:** the indicator must relate logically and directly to an aspect of the institution's mandate, and the realisation of strategic goals and objectives.

Institutions should include performance indicators related to the provision of goods and services. These describe the interface between government and the public, and are useful for monitoring and improving performance as it is relevant to the citizens of the country.

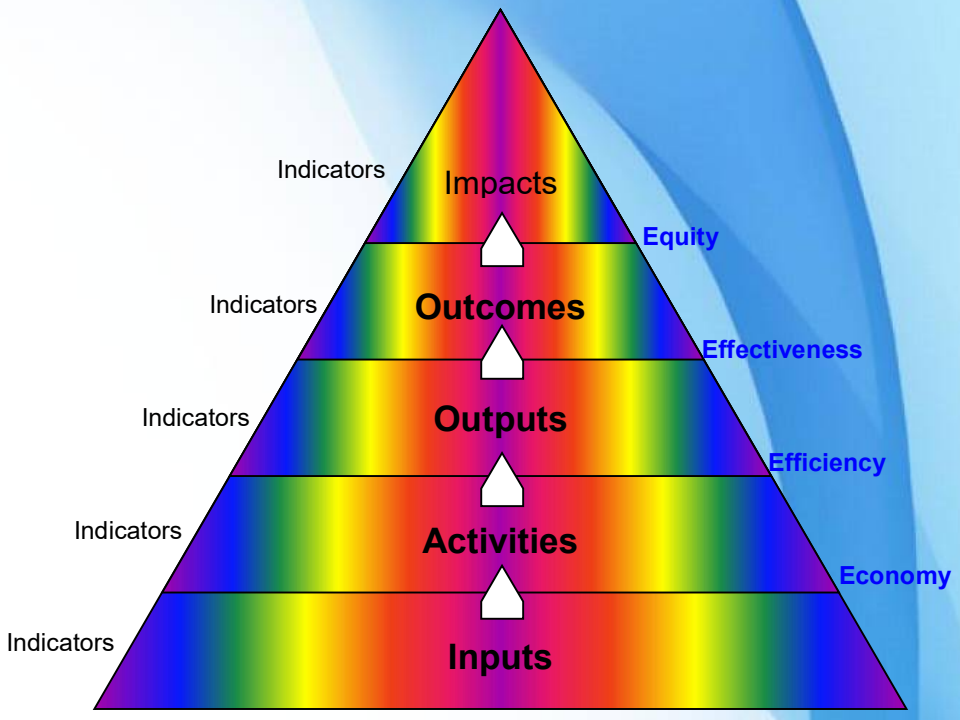


**Figure 6: Indicators of equity, effectiveness, efficiency and economy**

All government institutions are encouraged to pay particular attention to developing indicators that measure economy, efficiency, effectiveness and equity using data collected through these and other direct indicators.

- **Economy indicators:** explore whether specific inputs are acquired at the lowest cost and at the right time; and whether the method of producing the requisite outputs is economical. Economy indicators only have meaning in a relative sense. To evaluate whether an institution is acting economically, its economy indicators need to be compared to similar measures in other state institutions or in the private sector, either in South Africa or abroad. Such indicators can also be compared over time, but then prices must be adjusted for inflation.
- **Efficiency indicators:** explore how productively inputs are translated into outputs. An efficient operation maximises the level of output for a given set of inputs, or it minimises the inputs required to produce a given level of output. Efficiency indicators are usually measured by an input:output ratio or an output:input ratio. These indicators also only have meaning in a relative sense. To evaluate whether an institution is efficient, its efficiency indicators need to be

compared to similar indicators elsewhere or across time. An institution's efficiency can also be measured relative to predetermined efficiency targets.

- **Effectiveness indicators**: explore the extent to which the outputs of an institution achieve the desired outcomes. An effectiveness indicator assumes a model of how inputs and outputs relate to the achievement of an institution's strategic objectives and goals. Such a model also needs to account for other factors that may affect the achievement of the outcome. Changes in effectiveness indicators are only likely to take place over a period of years, so it is only necessary to evaluate the effectiveness of an institution every three to five years; or an institution may decide to evaluate the effectiveness of its different programmes on a rolling 3-5 year schedule.
- **Equity indicators:** explore whether services are being provided impartially, fairly and equitably. Equity indicators reflect the extent to which an institution has achieved and been able to maintain an equitable supply of comparable outputs across demographic groups, regions, urban and rural areas, and so on. Often specific benefit-incidence studies will be needed to gather information on equity. The aim of such studies would be to answer the question: "Who benefits from the outputs being delivered?" Usually equity is measured against benchmark standards or on a comparative basis.

Institutions may also use the results of opinion surveys as indicators of their performance. Such indicators should not replace the above two categories of indicators, but rather complement them. If an institution uses such surveys, it is important that they be professionally designed.

## 3. Performance targets

Once a set of suitable indicators has been defined for a programme or project, the next step is to specify what level of performance the institution and its employees will strive to achieve. This involves specifying suitable performance targets relative to current baselines.

Each institution needs to collect a wide range of performance information for management purposes, however not all this information is relevant in accountability documents. The institution should specify in its planning documents a set of performance targets it will report against in its accountability documents. The set of indicators selected for accountability reporting ought to provide a holistic view of the institution's performance.

In the case of concurrent functions, national departments need to identify a core set of indicators that need to be reported by provincial and local governments to ensure comparability.

**The baseline** is the current level of performance that the institution aims to improve. The initial step in setting performance targets is to identify the baseline, which in most instances is the level of performance recorded in the year prior to the planning period. So, in the case of annual plans, the baseline will shift each year and the first year's performance will become the following year's baseline. Where a system for managing performance is being set up, initial baseline information is often not available.

This should not be an obstacle - one needs to start measuring results in order to establish a baseline.

**Performance targets** express a specific level of performance that the institution, programme or individual is aiming to achieve within a given time period.

**Performance standards** express the minimum acceptable level of performance, or the level of performance that is generally expected. These should be informed by legislative requirements, departmental policies and service-level agreements. They can also be benchmarked against performance levels in other institutions, or according to accepted best practices.

The decision to express the desired level of performance in terms of a target or a standard depends on the nature of the performance indicators. Often standards and targets are complementary. For example, the standard for processing pension applications is 21 working days, and a complementary target may be to process 90 per cent of applications within this time.

Performance standards and performance targets should be specified prior to the beginning of a service cycle, which may be a strategic planning period or a financial year. This is so that the institution and its managers know what they are responsible for, and can be held accountable at the end of the cycle. While standards are generally "timeless", targets need to be set in relation to a specific period. The targets for outcomes will tend to span multi-year periods, while the targets for inputs, activities and outputs should cover either quarterly or annual periods.

# 6. S.M.A.R.T Principles

**S.M.A.R.T.** is a mnemonic, giving criteria to guide in the setting of objectives, for example in project management, employee performance management and personal development. The letters broadly conform to the words **specific**, **measurable**, **attainable**, **relevant** and **time-bound**. The Municipality needs to ensure that Objectives as well as Key Performance Indicators need to be developed using S.M.A.R.T. Principles. This chapter is also in-line with performance information concepts in the FMPPI but gives more details on the theory of S.M.A.R.T. Principles.

**Specific:** The first criterion stresses the need for a specific goal rather than a more general one. This means the goal is clear and unambiguous; without vagaries and platitudes. To make goals specific, they must tell a team exactly what is expected, why is it important, who's involved, where is it going to happen and which attributes are important.

A specific goal will usually answer the five "W" questions:

- What: What do I want to accomplish?
- Why: Specific reasons, purpose or benefits of accomplishing the goal.
- Who: Who is involved?
- Where: Identify a location.
- Which: Identify requirements and constraints.

**Measurable:** The second criterion stresses the need for concrete criteria for measuring progress toward the attainment of the goal. The thought behind this is that if a goal is not measurable, it is not possible to know whether a team is making progress toward successful completion. Measuring progress is supposed to help a team stay on track, reach its target dates, and experience the exhilaration of achievement that spurs it on to continued effort required to reach the ultimate goal.

A measurable goal will usually answer questions such as:

- How much?
- How many?
- How will I know when it is accomplished?
- Indicators should be quantifiable

**Attainable:** The third criterion stresses the importance of goals that are realistic and attainable. While an attainable goal may stretch a team in order to achieve it, the goal is not extreme. That is, the goals are neither out of reach nor below standard performance, as these may be considered meaningless. When you identify goals that are most important to you, you begin to figure out ways you can make them come true. You develop the attitudes, abilities, skills, and financial capacity to reach them. The theory states that an attainable goal may cause goal-setters to identify previously overlooked opportunities to bring themselves closer to the achievement of their goals.

An attainable goal will usually answer the question:

- How can the goal be accomplished?

**Relevant:** The fourth criterion stresses the importance of choosing goals that matter. A bank manager's goal to "Make 50 chicken and mayo sandwiches by 2:00pm" may be specific, measurable, attainable, and time-bound, but lacks relevance. Many times you will need support to accomplish a goal: resources, a champion voice, someone to knock down obstacles. Goals that are relevant to your boss, your team, your organization will receive that needed support.

Relevant goals (when met) drive the team, department, and organization forward. A goal that supports or is in alignment with other goals would be considered a relevant goal.

A relevant goal can answer yes to these questions:

- Does this seem worthwhile?
- Is this the right time?
- Does this match our other efforts/needs?
- Are you the right person?
- Is it applicable in current socio- economic- technical environment?

**Time-bound:** The fifth criterion stresses the importance of grounding goals within a time frame, giving them a target date. A commitment to a deadline helps a team focus their efforts on completion of the goal on or before the due date. This part of the SMART goal criteria is intended to prevent goals from being overtaken by the day-to-day crises that invariably arise in an organization. A time-bound goal is intended to establish a sense of urgency.

A time-bound goal will usually answer the question:

- When?
- What can I do six months from now?
- What can I do six weeks from now?
- What can I do today?

# 7. Developing Performance Indicators

As mentioned in Chapter 4, the organisational performance management system can be defined as the planning process whereby the organisation set the strategic agenda, vision and mission, as well as strategic objectives for the upcoming financial year/s, and the desired performance results. Performance management at organisational level involves the following stages:

**a.** **Planning -** The Integrated Development Planning (IDP) process and the Performance Management Process should appear to be seamlessly integrated. The IDP fulfils the planning stage of performance management. Performance management fulfils the implementation management, monitoring and evaluation of the IDP process.

**b.** **Priority setting -** In setting priorities municipality should consider the following:

- 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, which would contribute significantly to the achievement of the development vision for the area
- A set of internal transformation strategies, priorities and objectives, whose achievement would enable the delivery and the realisation of the development vision
- Additional projects identified in contributing to the achievement of the above objectives
- A financial plan and medium term income and expenditure framework that is aligned to the priorities of the municipality
- A spatial development framework

To be useful in the management of performance, the IDP must provide very clear objectives, indicators by which to measure the achievement of the objectives and unambiguous targets for those indicators.

**c.** **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 IDP and that suitable indicator are found. A clear and concise construction of 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.

d. **Setting key performance Indicators –** KPI's are measurements that tell us whether progress is being made in achieving our goals. Indicators should describe performance dimension considered key in measuring performance. The philosophy of performance management as implemented in local governments and captured in the Municipal Systems Act and Municipal Planning and Performance Management Regulation rely centrally on the use of Key Performance Indicators. Additional requirements as specified in the FMPPI:

- **Reliable:** the indicator should be accurate enough for its intended use and respond to changes in the level of performance.
- **Well-defined:** the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.
- **Verifiable:** it must be possible to validate the processes and systems that produce the indicator.
- **Cost-effective:** the usefulness of the indicator must justify the cost of collecting the data.
- **Appropriate:** the indicator must avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.
- **Relevant:** the indicator must relate logically and directly

e. **Setting targets -** The municipality should have clear objectives for its IDP and identified appropriate indicators. Targets are purely goals or milestones for what we intend an indicator to measure at various timeframes. Performance targets are planned level of performance or milestones an organisation sets for itself for each indicator identified. Targets are usually expressed in quantity or time terms.

f. **Monitoring -** Monitoring is a continuous process of measuring, assessing, analysing and evaluating the performance of the organisation and departments with regard to KPI's and targets. Mechanisms, systems and processes for monitoring should provide for reporting at least twice per annum to the municipal council and the community, it should enable detection of early indication of underperformance and provide for corrective measures.

g. **Review -** Review includes assessment of the system itself, the framework, targets, and performance targets of departments and performance measurement of employees. It identifies the strengths, weaknesses, opportunities and threats of the municipality in meeting key performance indicators, performance targets and general key performance indicators. It also measures the economy, efficiency, effectiveness in the utilisation of resources and impact in so far as performance indicators

and targets set by the municipality are concerned. Performance improvement and adjustment is based on review. The municipality should ensure that the community participates in review.

The organisational performance management cycle has the following processes/phases: performance planning, performance monitoring & reporting, performance reviewing (evaluation & assessment) and performance auditing.

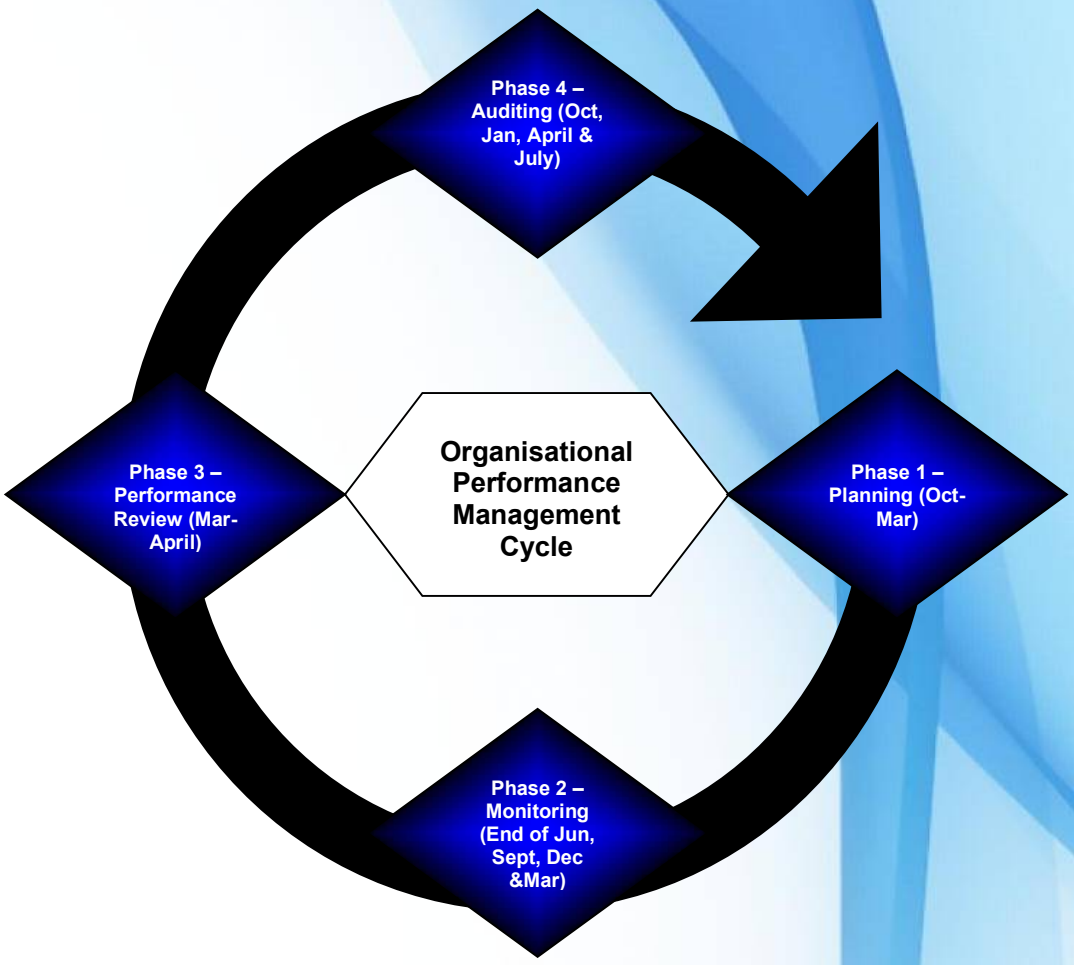


**Figure 7: Organisational Performance Management Cycle**

# 8. Establishing Corrective Action Mechanisms

Regular monitoring and reporting of performance against expenditure plans and targets enables managers to manage by giving them the information they need to take decisions to keep service delivery on track and the individual performance management system policy serves as such. It can be defined as the process through which the planned performance objectives as defined in the Strategic Plan are cascaded into employee's Annual Performance Plans, thus allowing for the planning, coaching and monitoring, reviewing and rewarding of performance, and the enhancement of development, at the level of the individual employee.

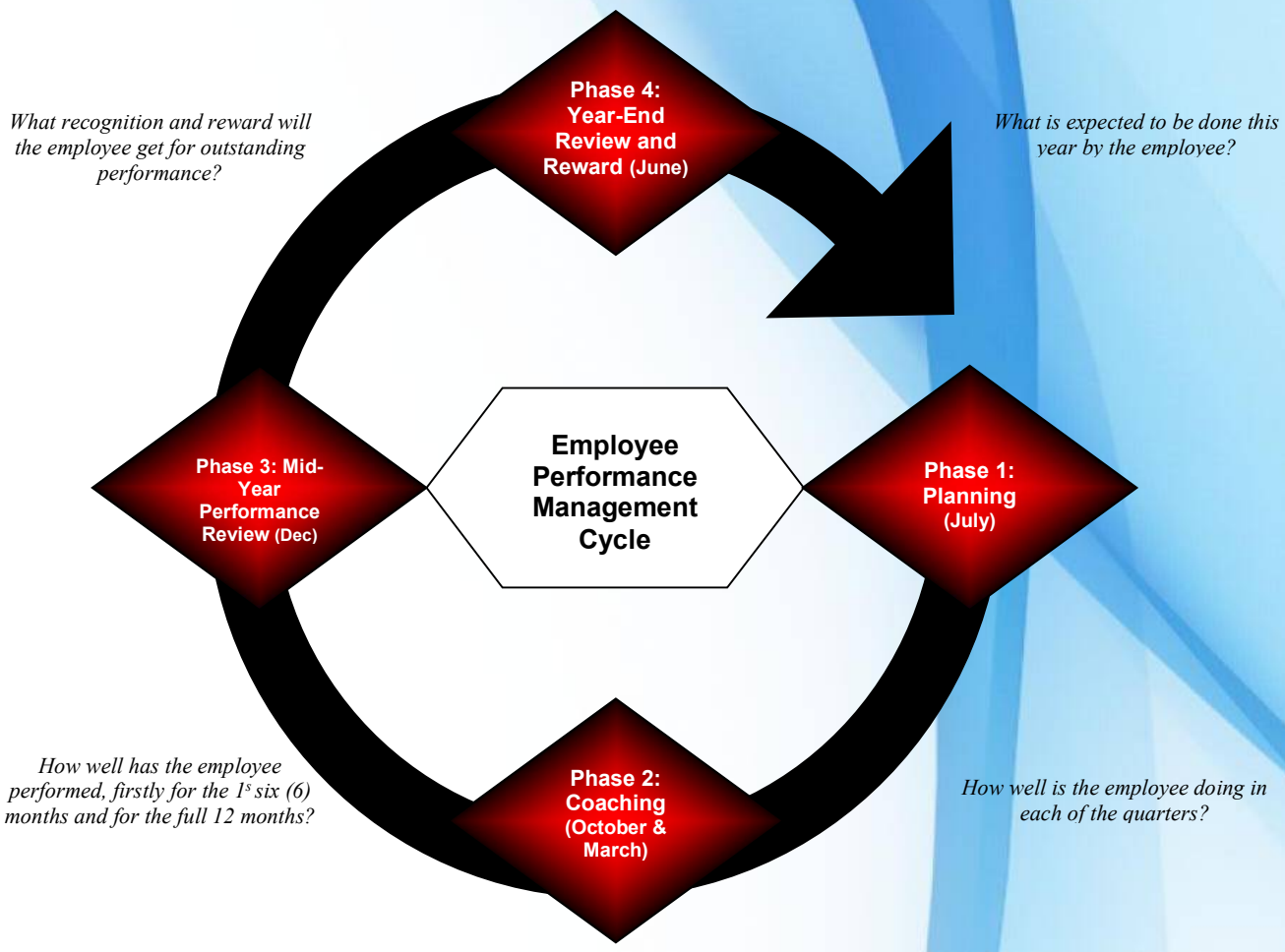


**Figure 8: Employee Performance Management Cycle**

a. **Phase 1: Planning -** This is about jointly identifying individual performance expectations and gaining the employee's commitment in achieving these expectations. This also entails the

identification of KPA's and indicators, the establishment of year-end targets and the planning for the phasing in of the year-end target into quarterly targets (cumulatively and quarterly).

b. **Phase 2: Performance Coaching -** This is the phase of continuously tracking and improving performance, through feedback and reinforcement of key results and competencies. This is done with a view to timely detect performance relapses and to simultaneously introduce speedy remedial actions. A prescribed record sheet is used to record evidence and remedies. During this phase, on a quarterly basis, the actual performance must be determined and be judged against the quarterly obligation as well as the cumulative performance and the standards that have been set in advance. During this phase it is also important to provide and present any evidence proving performance. Although actual measurements are done each quarter, formal performance reviews only are to be done half yearly and year-end provided the documented performance in the first and third quarter is satisfactory.

c. **Phase 3: Reviewing -** This phase involves jointly assessing performance against expectations (planned vs. actual performance) at mid-year and year-end.

- Manager to set up formal mid-year review in December to assess the relevance of the objectives and the Employee's performance against the objectives.
- Manager to set up a formal final review in June.

**The process for reviewing performance is as follows:**

- Employee to submit all required "evidence" to the Manager.
- Manager to prepare scores of Employee's performance against agreed objectives as a result of the evidence.
- Manager to ask Employee to prepare for formal review by scoring him/herself against the agreed objectives.
- Manager and Employee to meet to conduct formal performance review and agree final scores.
- It may be necessary to have two meetings i.e. give Employee scores and allow him/her time to consider them before final agreement.
- Should Employees not agree with the contents of their performance agreement after the planning discussion or with the final scores that are allocated to them by their Manager after the review discussions, they may follow the dispute procedure as outlined in the regulations for section 57 employees and other employees to follow MCLM dispute resolution mechanism.
- Manager and Employee to prepare and agree learning plan – this only needs to be done at the final review in June and not at the mid-year review.

**The Evaluation Panel for reviewing performance**

According to the Municipal Performance Management Regulation 2006, Regulation 27 (4d) stipulates that:

For purposes of evaluating the performance of the Employee, an evaluation panel constituted by the following persons will be established – (Only applicable to the Municipal Manager)

- Executive Mayor/ Mayor;
- Chairperson of the Audit Committee;
- Ward committee member (on a rotational basis), where applicable;
- Member of the Mayoral Committee; and
- Mayor and/ or Municipal Manager from another Municipality.

For purposes of evaluating the annual performance of managers directly accountable to the municipal managers, an evaluation panel constituted of the following persons must be established. (Only applicable to the managers directly accountable to Municipal Manager)

- Municipal Manager;
- Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- Internal Audit;
- PMS Manager / Specialist;
- Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council; and
- Municipal Manager from another municipality.

The terms of reference for the Section 57 employee's evaluation panel are:

- Assess performance against set targets as contained in the scorecards;
- Analyse performance report against evidence provided;
- Review the internal audit report;
- Make recommendations on the overall performance of the employee;
- Make recommendations for bonus payments;
- HR Manager provide secretariat role; and
- Record any deviations that may arise.

For purposes of evaluating the annual performance of managers and specialists, an evaluation panel constituted of the following persons must be established.

- Supervisor /Line Manager;

- Employee; and
- HR/PMS specialist.

For purposes of evaluating the annual performance of all staff below section 57 employees, an evaluation panel constituted of the following persons must be established.

- Supervisor /Line Manager; and
- Employee.

The terms of reference for evaluation panel for staff below section 57 employees are:

- Assess performance against set targets as contained in the scorecards;
- Analyse evidence provided;
- Make recommendations for non financial reward; and
- Record discussions and any amendments made to the signed off scorecard.

**d.** **Phase 4: Year End Review and Rewarding -** This phase establishes the link between performance and reward. It aims to direct and reinforce effective work behaviours by determining and allocating equitable and appropriate rewards to employees. Permanent employees will initially be awarded non-financial rewards for good performance and ultimately financial rewards will be determined through the National Collective Bargaining process at South African Local Government Bargaining Council (SALGBC).

# 9. Managing Performance Information

## a. Integrated Performance Information Structures and Systems

FMPPI explains that a performance information system should be integrated within existing management processes and systems. The accounting officer or head official of an institution is responsible for ensuring that the institution has:

1. Documentation addressing the following:

    a. Integration of performance information structures and systems within existing management processes and systems,
    b. Definitions and technical standards of all the information collected by the institution,
    c. Processes for identifying, collecting, collating, verifying and storing information,
    d. Use of information in managing for results, and
    e. Publication of performance information.

2. Appropriate capacity to manage performance information.

3. Appropriate systems to collect, collate, verify and store the information.

4. Consultation processes that ensure the information needs of different users are taken into consideration when specifying the range of information to be collected.

5. Processes to ensure the information is appropriately used for planning, budgeting and management within the institution, including:

    a. Processes to set performance standards and targets prior to the start of each service delivery period,
    b. Processes to review performance and take management action to ensure service delivery stays on track, and
    c. Processes to evaluate performance at the end of a service delivery period.

6. Processes to ensure that responsibility for managing performance information is included in the individual performance agreements of line managers and other officials.

7. An identified set of performance indicators for reporting for oversight purposes.

### b. Management Capacity

The FMPPI give guidance on management capacity and states that the Municipal Manager of the Municipality must ensure there is adequate capacity to integrate and manage performance information with existing management systems. Each Municipality will need to decide on the appropriate positioning of the responsibility to manage performance information. Ideally, this capacity should be aligned to the planning and financial management functions. This responsibility needs to focus on the overall design and management of indicators, data collection, collation and verification processes within the institution. Where such systems are lacking, it is necessary to support the relevant line manager to put them in place.

It must be emphasised that line managers remain responsible for establishing and running performance information systems within their sections and for using performance information to make decisions.

### c. The role of internal audit in terms of performance management

The MFMA requires that the Municipality must establish an internal audit section which service could be outsourced depending on its resources and specific requirements. Section 45 of the Municipal Systems Act stipulates that the results of the Municipality's performance measures must be audited by the said internal audit section as part of the internal auditing process and annually by the Auditor-General.

The Municipal Planning and Performance Management Regulations stipulate that the internal audit section must on a continuous basis audit all performance and the auditing must include an assessment of the following:

- The functionality of the municipality's performance management system.
- Whether the municipality's performance management system complies with the Act.
- The extent to which the municipality's performance measurements are reliable in measuring the performance of municipalities by making use of indicators.

**Functionality –** To function could be defined as a proper or expected activity or duty or to perform or operate as expected. This could also be applied to the operation of any system such a PMS. The internal audit section must therefore on a regular basis audit whether the PMS of the Municipality is functioning as developed and described in this framework.

**Compliance –** To comply can be defined as to act in the way that someone else has commanded themselves against requirements. In this respect it is clear that the legislature wishes to ensure that the Municipality's PMS complies strictly with the requirements of the Systems Act, Regulations and the MFMA.

This compliance check would require that the Municipality's internal audit unit, at least on an annual basis, verifies that the Municipality's PMS complies with the said legal requirements.

**Reliability –** To rely could be defined as to trust or depend (upon) with confidence. Reliability in the context of PMS refers to the extent to which any performance measures reported upon could be seen as being reliable, e.g. if the performance target was to build 500 houses and it is reported that the target has been met or exceeded, it must be established whether the information is factually correct or only an estimation or even worse, purposeful misrepresentation. Undertaking a reliability audit will entail the continuous verification of performance measures and targets reported upon. This will require that the Municipality sets in place a proper information management system (electronically or otherwise) so that the internal audit section is able to access information regularly and to verify its correctness.

The Municipality's internal auditors must submit quarterly reports on the audits undertaken to the Municipal Manager and the Audit Committee.

### d. Performance Audit Committee

The MFMA and the Municipal Planning and Performance Management Regulations require that the Municipal Council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No Councillor may be a member of an audit committee. Council must also appoint a chairperson who is not an employee. The Regulations gives municipalities the option to establish a separate performance audit committee where as the MFMA provides only for a single audit committee. The operation of this audit committee when dealing with performance management is governed by section 14 (2-3) of the Regulations which require that the audit committee must:

- Review the quarterly reports submitted to it by the internal audit unit
- Review the municipality's PMS and make recommendations in this regard to the Council of the Municipality
- At least twice during a financial year submit an audit report to the Municipal Council

In order to fulfil their function a performance audit committee may, according to the MFMA and the Regulations,

- Communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;

- Access any municipal records containing information that is needed to perform its duties or exercise its powers;
- Request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

**e. Performance Investigations**

The Audit Committee should also be able to commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on a random ad-hoc basis. The performance investigations should assess:

- The reliability of reported information; and
- The extent of performance gaps from targets.

# 10. Overview on the Individual Performance Management Policy

Frequently when performance management is mentioned, people think of the employee performance appraisal or review. Performance management, however, involves so much more. Properly constructed appraisals should represent a summary of an ongoing, year-round dialogue. Focusing only on an annual appraisal form leads to misunderstanding and under appreciation of the benefits of performance management.

An effective performance management process enables managers to evaluate and measure individual performance and optimize productivity by:

- Aligning individual employee's day-to-day actions with strategic business objectives
- Providing visibility and clarifying accountability related to performance expectations
- Documenting individual performance to support compensation and career planning decisions
- Establishing focus for skill development and learning activity choices
- Creating documentation for legal purposes, to support decisions and reduce disputes

Many of the practices that support performance also positively impact job satisfaction, employee retention and loyalty. Recommended practices include:

- Delivering regular relevant job feedback
- Setting and communicating clear performance expectations
- Linking performance to compensation clearly
- Identifying organizational career paths for employees
- Evaluating performance and delivering incentives in a fair and consistent manner
- Providing appropriate learning and development opportunities
- Recognizing and rewarding top performers

a. **Consequences of a Poorly Structured Process:** What is the impact of a poorly structured performance management process? If individual goals are not aligned with business strategy, then time and resources are wasted. Low employee engagement levels may mean that individuals are not performing at their best. Inconsistent evaluation criteria and rewards can lead to mistrust, lower productivity and higher attrition. If top performers see no differentiation in performance ratings, opportunities and compensation from underperformers, morale can suffer. Lack of documentation, visibility, and accountability can negatively affect stakeholders who are demanding more and more transparency. If accurate performance information is unavailable or difficult to access, training and

development decisions along with project assignment decisions may not be made in the company's or the individual's best interests. An annual process will not adequately alert managers to problems in a timely manner. Last, but not least, a lack of proper documentation related to performance may result in legal issues.

Management "buy-in" is equally important to the performance management process. If management does not understand the importance and value of the process, it can lead to consistently late or incomplete appraisals, mistrust, avoidance of performance discussions, and a lack of honest performance-related discussions. Often managers may feel unprepared to deliver quality feedback and oversee effective performance discussions.

b. **A Closer Look at the Importance of Performance Management:** The primary reason to make sure performance management processes are functioning properly is to ***tighten the link between strategic business objectives and day-to-day actions***. Effective goal setting (including timelines), combined with a method to track progress and identify obstacles, contributes to success and bottom line results. Regularly tracking progress against performance goals and objectives also provides the opportunity to recognize and reward employees for performance and exceptional effort, contributing to job satisfaction and productivity. Employees want to feel successful, to do well at their job and feel they are making a valuable contribution. In order to ensure this happens, employees need a clear understanding of individual goals and how they fit into the larger municipality. New technology-based solutions offered can provide goal visibility across entire municipality, offer extensive reporting options and can reduce paperwork by as much as 90%.

Clear visibility, regular individual analysis, and municipality-wide employee appraisals help identify corporate competencies and skill gaps. With this valuable data in hand, companies can identify training and development plans.

When effectively implemented, performance management best practices result in a wide range of benefits for employees, managers and municipalities.

| **Municipality-wide** | **Supervisors / Managers** | **Employees** |
|---|---|---|
| Savings | Time Savings | Clarification of Expectations |
| Accuracy | Reduced Conflicts | Improved Self-assessment |
| Accountability | Visible Accountability | Improved Performance |
| Productivity | Efficiency | Career Paths |

| | | |
|---|---|---|
| Retention | Consistency | Job Satisfaction |
| Communication | Performance | Personal Development |
| Performance | | |

**c. Optimizing Performance Review Process**

**1. Set Goals Effectively** – Goals are the basis of an effective process. There are two key elements to consider when developing goals. First, are goals written clearly and objectively? Second, are they directly contributing to the achievement of the municipality's strategy?

Clearly communicating strategic objectives is the first step to creating alignment. Providing visibility to goals set by departments across the municipality furthers alignment. Typically the process begins with departmental managers setting goals for their departments, based upon municipality-wide goals, which support the general municipality strategy. Making departmental goals accessible to all managers ensures there is no overlap, reduces conflict, and allows members of different departments to see where they support each other and ensure they are not working at cross purposes. Each manager in turn shares the overall goals with his/her department and meets with employees to identify individual performance goals and plans.

When setting goals, key job expectations and responsibilities should act as the main guide and reference. Goals should be set that not only address what is expected, but also how it will be achieved. For example, the "what" covers quality or quantity expected, deadlines to be met, cost to deliver, etc. The "how" refers to the behavior demonstrated to achieve outcomes, for example, focus on customer service. In addition, some organizations choose to include competencies within performance expectations, to reinforce the link to business strategy, vision and mission.

An accepted framework to use to help write effective goals is the "SMART" goal ***(Referenced from Chapter 6 in the Framework):***

**S – Specific**
**M – Measurable**
**A - Achievable/Attainable**
**R - Results oriented/Realistic/Relevant**
**T - Time bound**

The inclusion of the above criteria results in a goal that is understandable and easily visualized and

evaluated. Making a goal specific, measurable, and time bound contributes to the ability to make progress on the goal and track that progress. Some managers choose to further define goals with a start and finish date with milestones in between. As we have mentioned, goals must be achievable and realistic. An unachievable goal is just that. An employee knows when he/she does not stand a chance of reaching it, and their effort to achieve the goal will be affected. In addition, goals must reflect conditions that are under the employee's control and the R's (results oriented, realistic and relevant) should definitely consider these conditions. Sometimes the focus on the outcome of the goals can overshadow the necessary steps to achieve them. Action plans to support each goal can include documentation of the steps necessary to achieve a goal. By keeping goals relevant, a manager reinforces the importance of linking to strategic objectives and communicating why the goal is important. Some organizations have suggested the use of SMARTA, or SMARTR with the additional A standing for Aligned and the R standing for Reward. This approach however is to be done at an organization's discretion.

A focus on objective, behavioral-based, and observable outcomes that are job-related helps ensure fairness of the process and reduces discrepancy. Although sometimes difficult to hear, objective feedback supported with regular documentation is difficult to dispute. This is also where an understanding of the municipality's overall objectives and goals and how individual efforts contribute becomes essential. If for example, an individual understands that their actions support an area of the business then it is easier to understand the impact when deadlines are not met. Using the SMART framework provides clarity up front to employees who will be evaluated against these goals.

**2. Begin with Performance Planning –** Using established goals as a basis, performance planning sets the stage for the year by communicating objectives, and setting an actionable plan to guide the employee to successfully achieve goals.

Performance planning, as with all other steps, is a collaborative process between the manager and employee, although there will always be some elements that are non-negotiable. Begin with the job description and identify major job expectations; expectations then can be clarified for each major area.

Under each key contribution area, it is important to identify long-term and short-term goals, along with an action plan around how they will be achieved. Goals can be weighted to identify priorities. Discuss specific details related to how progress against goals will be evaluated. Next steps include determining any obstacles that would stand in the way of these goals being achieved. If an obstacle is knowledge, skills or behavior–a plan should be developed to overcome, i.e.; training, mentoring, etc.

Using the performance planning document as a reference document, the employee and manager then should regularly monitor progress against goals, problem solve road blocks, re-assess goals, change goals as business direction changes, and re-evaluate training and resource needs. This is where the conversation is critical and often where the follow through sometimes falls down. Performance planning and ongoing performance feedback are critical because they facilitate continuous improvement and aid open communication.

**3. Ensure an Ongoing Process –** As the following diagram illustrates, goal setting, performance planning, performance monitoring, feedback and coaching is ongoing and supports the creation of the performance appraisal, which in turn supports processes related to rewards, learning and development. Performance monitoring, feedback and coaching creates a separate feedback loop within the larger loop which should take place more often, allowing for necessary adjustments to performance planning as conditions dictate.

**4. Improve Productivity through Better Goal Management –** Regular goal tracking allows for the opportunity to provide feedback as needed, make adjustments to performance plans, tackle obstacles and prepare contingencies for missed deadlines. Without a mechanism to regularly track progress against goals, the ongoing, cyclical nature of the process falls apart.

Goal progress discussions, along with all performance feedback, should be delivered with respect and should be objective and supportive. Specific examples provide clarity and help the employee focus on future improvements. It is crucial that the manager listens to the employee's perspective and incorporates the employee's observations into future plans– the employee often experiences roadblocks the manager may not see.

**5. Gather Information from a Number of Sources –** Gathering performance information from a variety of sources increases objectivity and ensures all factors impacting performance are considered. This information should include objective data like sales reports, call records or deadline reports. Other valuable information includes: feedback from others, results of personal observation, documentation of ongoing dialogue, records of any external or environmental factors impacting performance. Many reviews also include an employee self-evaluation. Other documents that help define performance objectives include: past performance appraisals, current departmental and municipal objectives and documented standards related to career goals.

In order to gather feedback from other employees, organizations will often use a 360° feedback process. Along with the completion of a self-assessment, selected peers, subordinates, and manager(s) are asked to contribute feedback around pre-identified areas. The feedback is based

upon specifically identified skills or competencies and the final results are compared against the employee's self-assessment. This type of feedback increases self-awareness and in some cases is used to support the performance evaluation process.

Objectivity is essential when evaluating performance and it begins with clarity about job expectations and evaluation methods. Certain checks and balances can be built in to ensure objectivity. Managers commonly make mistakes when they conduct evaluations and the first step to minimizing those errors is to acknowledge they exist. Consistent processes municipality-wide contribute to fairness and objectivity. Access to information allows others to check the validity of the process. Obviously, not all employees need access to other employees' performance appraisal results, but processes like calibration meetings will help ensure consistency. In the calibration process, managers with employees in similar positions meet and discuss the appraisals before they are finalized and shared with the employees. A calibration meeting helps establish the reasons individuals are awarded various performance rankings, educates managers about the process across the municipality and promotes consistency. It also provides validation for manager's decisions, if appropriate.

Reporting is very valuable to assess the fairness/consistency of the process–for example, to compare ratings in one division to the next or for one manager to the next.

**6. Documents –** Note taking must be consistent and include all significant occurrences, positive or negative. Documentation is important to support performance decisions, and notes should be written with the intent to share. In addition to documenting the details of an occurrence, any subsequent follow up should be detailed.

The performance log is a record that the manager keeps for each employee and is a record of performance "events." The maintenance of a performance log serves a number of purposes. The manager can record successes or performance that requires improvement. When it comes time to complete the appraisal, the manager has a historical record of events and will not have to rely on recent memory. In addition, this documentation can be used to support performance decisions or ratings. But it also can be used as a reminder for the manager–if the log has no recordings for a period of time, perhaps it is time to check in. If an employee does exceptionally well, or meets deadlines consistently, the log can be used as a reminder to provide recognition for a job well done. In addition, if a manager notices an area of deficiency, the log can serve as a reminder and a record of circumstances. The performance log can also act as a reminder for coaching i.e.: record of upcoming tasks, manager can make note to discuss with the employee to ensure he/she is prepared for the individual for a task ahead, and then follow up discussion can promote learning and continuous improvement.

This log should be created using the same principles of performance management and should be objective, based on observable, job-related behaviors, including successes, achievements and, if applicable, any documentation related to disciplinary actions taken.

**7. Adequately Prepare and Train Your Managers –** Managing the performance of another individual is not an easy task and requires many skills. Training may be required to ensure managers feel adequately prepared to effectively complete all the tasks related to performance management. This is especially the case for newly promoted supervisors. Managers need to understand human behavior, how to motivate, how to develop, provide coaching and deal with conflict. To a great extent, managers must be observers and able to assess a situation, provide motivation and identify problems that interfere with performance. In addition, managers must understand that individuals at different levels of comfort, ability and experience with their jobs will require different levels of input, support and supervision. A manager who feels adequately prepared to provide and receive feedback, deliver a performance evaluation and conduct a performance evaluation meeting will be a major contributor to a successfully functioning process.

**8. The Review –** The employee performance appraisal or review should be a summary of all that has been discussed. Based upon job expectations and key areas of contribution, and previously discussed goals and evaluation methods, the appraisal should be a written confirmation of what has already been discussed with the employee.

The form should include key job responsibilities, current project work, relevant competencies, goals and achievements. Previously completed performance appraisals should be used as reference documents. It should also contain an area to allow employees to record their comment and input. All comments included on the appraisal form need to be job-related and based upon observable behaviors.

For the appraisal meeting, it is imperative to prepare ahead of time. Schedule an appropriate place and time with no interruptions. Ensure the employee has the information necessary to allow them to prepare adequately. Begin the discussion with job requirements and strengths/ accomplishments. The focus, as pointed out previously, should be forward looking. The way the manager approaches this meeting conveys a message related to its importance and should be approached with the appropriate level of seriousness and an open mind. The manager must be prepared in regard to what he/she wants to discuss, but just as importantly must be prepared to listen.

Many suggest that it is important to first define the purpose of the meeting and provide an agenda. A factual discussion with a focus on job-related behaviors will keep the discussion objective. At the

end of the meeting, key points should be summarized. It is important to note that the employee will be asked to sign the appraisal, whether or not there is agreement.

**9. Link Performance Management with Rewards and Recognition –** More and more, organizations are linking performance to compensation. This link, however, cannot effectively be established without the existence of sound performance management processes that are seen as fair and equitable.

Clear documentation of progress against performance expectations also allows proper recognition for a job well done. This can be provided a number of ways, i.e.: formal recognition events, informal public recognition or privately delivered feedback.

It is important also to note the benefits of a consistent process across the municipality. A consistent process creates a sense of fairness and significantly increases job satisfaction. This is even more critical if compensation is linked to performance. Employees need to know that if an individual in one department is identified as a top performer and compensated accordingly, then an employee performing at the same level in another department will receive similar rewards.

**10. Evaluate and Encourage Full Participation and Success –** There is widespread recognition that an annual meeting to evaluate progress does not have the same benefits as ongoing dialogue and feedback. Feedback that is delivered when it is most relevant enhances learning and provides the opportunity to make necessary accommodations in order to meet objectives. Some organizations are moving towards conducting performance reviews twice a year, while a small portion is trying to conduct them more frequently. Regardless of frequency, the attitude towards ongoing feedback is crucial. If there is organizational recognition and support for the need to build constructive feedback into the fabric of day-to-day interactions combined with increased visibility into goals, then the environment will encourage development and drive goal-directed performance improvement.

Design the process right. The performance management process must add value, otherwise problems with resistance and non-participation will surface. In addition, the process itself must be efficient and as simple as possible, while still providing the necessary value. Automated reminders and scheduling tools can help keep the process on track.

Another element to consider that contributes to success is upper level management support. This support needs to take not only the form of verbal support, but also through participation in the same performance management process for evaluations. In addition, consider the current culture of your municipality when it comes to performance appraisals and performance management. Is the

"atmosphere" supportive of an effective process? Is there a culture of open honest communication or are employees fearful when they make a mistake? Employees must be able to honestly discuss performance and consider how to make improvements in order to move forward.

Another thing to consider is the provision of a mechanism to evaluate the process itself, whether it consists of an annual survey, focus groups, manager feedback, reporting, or a combination of these and other methods.

**d. Automating Best Practices with Technology**

More and more organizations are relying on innovative technology solutions to implement performance management best practices and automate painful manual processes. A move to web-based, on-demand technology is making these systems affordable, regardless of the size of an organization, with quick implementation schedules, no IT support requirements and automatic upgrades.

An automated system can ensure that the performance management process is built around world-class best practices, easy to complete, efficient and consistent across a municipality. Necessary visibility into organizational and departmental goals is simplified, as is access to necessary data to support accountability, consistent standards, (by viewing manager average ratings) and identification of top performers. In addition, technology enables companies, managers and employees to address many of the issues discussed. When selecting an automated performance management solution make sure to do your research. Some solutions offer nothing more than an electronic appraisal form while others offer complete best-of-breed goal management solutions. The best solutions offer:

- instant form routing and paperless processes
- goal tracking and cascading functionality for complete visibility and alignment
- automated goal management and performance review reminders
- legal scan wizards to ensure appropriate/legal use of language
- writing assistants to help managers prepare appraisal forms
- support tools providing coaching support to managers when they need it most
- dashboards to deliver company-wide, aggregated or individual reporting

It is especially important that technology provides us access to performance data and the ability to evaluate progress against goals, compare average manager ratings, easily access performance levels of individuals and use this data to support decision making. Aggregating and analyzing data in traditional paper-based forms is often too time-consuming and costly.

The road to effective performance management is not always an easy one, but progressing towards a long-term vision by making manageable changes, step-by-step, will bring about significant results. The points below act as a reminder of some of the key elements of a successful process.

- Communicate and understand purpose and value of process;
- Set goals effectively;
- Begin with performance planning;
- Ensure an on-going process;
- Gather information from a number of sources;
- Document, document, document;
- Adequately prepare and train managers;
- Deliver objective reviews that summarize an on-going process;
- Link performance management with other talent management processes;
- Evaluate the process and make it easy, efficient and effective to ensure participation; and
- Consider the benefits of automation to save money and resources and optimize the performance management process.

# 11. Conclusion

Performance management is a process which stretches right through the organisation, from its Vision and Mission statement, to its objectives and eventually its staff. It applies to the performance of an organisation as well as to all persons related to it. The White Paper on Local Government (1998) states that key mechanisms to ensuring service excellence in municipalities include integrated development planning, performance management and community participation. As a start there are things that a municipality simply must do. It must:

- establish a performance management system that is commensurate with its resources, best suited to its circumstances and in line with its targets, priorities and objectives contained in its IDP.
- promote a culture of performance management among its political structures, political office-bearers, councillors and administration.
- administer its affairs in an economical, effective, efficient and accountable manner (Municipal Systems Act, 2000).

Appropriate Key Performance Indicators must be established to serve as a yardstick for measuring individual and organisational performance. These key performance indicators should include outcomes and the impact of a performance area with regards to a municipality's development priorities and objectives as set out in its IDP.

The proposed performance management framework is aimed at guiding John Taolo Gaetsewe District Municipality in the development of a performance management system which will contribute to improving the municipal performance and enhance service delivery. The framework is developed to provide details which describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.

The process of implementing a performance management system must be seen as a learning process, where we are continuously improving the way the system works to fulfil the objectives of the system and address the emerging challenges from a constantly changing environment.

# Glossary

| | |
|---|---|
| **IDP** | Integrated Development Plan |
| **PMS** | Performance Management System |
| **FMPPI** | Framework for Managing Programme Performance Information |
| **MSA** | Municipal Systems Act No. 32 of 2000 |
| **MFMA** | Municipal Finance Management Act No. 56 of 2003 |
| **DPLG** | Department of Provincial Local Government |
| **LRA** | Labour Relations Act No. 66 of 1995 |
| **KPI** | Key Performance Indicator |
| **KPA** | Key Performance Area |
| **SDBIP** | Service Delivery and Budget Implementation Plan |
| **CSF** | Critical Success Factor |
| **PI** | Performance Indicator |