

SECTION H

FRAMEWORK FOR THE NEW PERFORMANCE MANAGEMENT SYSTEM

30. INTRODUCTION

30.1 Strategic Objectives of a Performance Management System

South Africa and more specifically Buffalo City, continues to endure the legacy of underdevelopment, poverty, infrastructure backlogs and inequitable access to basic services. To respond to these, government is putting in place various mechanisms and measures to turn the situation around.

In the local government context, a comprehensive and elaborate system of monitoring performance of municipalities has been legislated. The system is intended to continuously monitor the performance of municipalities in fulfilling their developmental mandate. 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 challenges into quantifiable and measurable outputs. They are therefore crucial if a proper assessment is to be done of the impact of government in improving the quality of life of all.

As noted above, Buffalo City Municipality's process of institutionalising performance management has been a key informant to the IDP Review 2004.

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, organized and managed, including determining the roles of the different role-players" (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

30.2 Policies and Legislative Framework for Performance Management

The framework for Performance Management is informed by the following policy and legislation on performance management:

- **The Constitution (1996)**
- **The Batho Pele White Paper (1998)**
- **The White Paper on Local Government (1998)**
- **The Municipal Systems Act (2000)**
- **Municipal Planning and Performance Management Regulations (2001)**

The Municipal Systems Act, No 32 of 2000, states that a municipality must:

1. Develop a performance management system
2. Set targets, monitor and review performance based on indicators linked to their integrated development plan (IDP)
3. Publish an annual report on performance for the councillors, staff, the public and other spheres of government
4. Conduct an internal audit of performance before tabling the report
5. Have their annual performance report audited by Auditor-General
6. Involve the community in setting indicators and targets and reviewing municipal performance.

The Local Government: Municipal Planning and Performance Management Regulations, 2001, Section 7 (2) require that the municipality in developing its performance management system must ensure that the system: -

- a. Complies with all the requirements set out in the Municipal Systems Act;
- b. Demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- c. Clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system;
- d. Clarifies the processes of implementing the system within the framework of the integrated development planning process;
- e. Determines the frequency of reporting and the lines of accountability for performance;
- f. Relates to the municipality's employee performance management processes.

Furthermore, Section 43 of the Regulations prescribes the following seven general key performance indicators:

- 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 the municipality's capital budget actually spent on capital projects in terms of the IDP
- The number of local jobs created through the municipality's local, economic development initiatives including capital projects
- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan
- Financial viability with respect to: debt coverage; outstanding debtors in relation to revenue and cost coverage.

The objective of institutionalising a Performance Management System (PMS), beyond the fulfilling of legislative requirements, is to serve as a primary mechanism to monitor, review and improve the implementation of the municipality's IDP. In doing so, it should fulfil the following functions:

- Promoting accountability
- Decision-making and resource allocation
- Guiding development of municipal capacity-building programmes
- Creating a culture of best practice, share learning among municipalities
- Develop meaningful intervention mechanisms and early warning system
- Create pressure for change at various levels
- Contribute to the overall development of a local government system.

31. ADOPTION OF A PERFORMANCE MANAGEMENT FRAMEWORK

In terms of the Municipal Systems Act (2000), the Municipal Council adopted a Performance Management Framework. This document has guided the municipality with the preparation and the implementation of an Institutional and Individual PMS for 2003/2004.

The document expresses in a simple and transparent manner what needs to be done, by when, by whom, with whom, and where, and it includes a cost estimate.

The Performance Management Framework deals with the following components:

- The legislative requirements which a performance management system will need to fulfil;
- The principles and objectives that will inform its development and use;
- A model that will describe what areas of performance will be managed, in Buffalo City Municipality;
- Roles and responsibilities have to be clarified in advance and internal human resources have to be allocated accordingly;
- A programme needs to be identified which sets out the envisaged planning and implementation activities, with a time frame and the resource requirements. Such detailed programming of the process is crucial to keep track and to interact with other role-players;
- Special attention has to be paid to deciding on mechanisms and procedures for community and stakeholder participation during the planning, implementation and monitoring process. Such a strategy should describe who has to be involved, consulted or informed, at which stage of the process this will happen and by which means;
- Mechanisms and procedures for alignment with external stakeholders such as the Amathole district Planning Implementation and Management Support System (PIMSS) office, business sector, community forums and NGOs, etc, have to be determined. Such alignment activities have to be decided on a mutually binding basis.

31.1 Implementation Process

The following activities need to be undertaken during the Development Phase:

- The investigation of the current reality, identification of stakeholders and creating structures for stakeholder participation
- Setting of KPIs based on the Municipality's priority issues and objectives and incorporating the general key performance indicators that are prescribed in Ministerial regulations
- Setting targets
- Developing a monitoring framework
- Designing a Performance Measurement Framework
- Linking the Institutional Performance with Employee Performance.
- The identification of an appropriate framework against which an organizational PMS should be positioned.

31.2 Setting up of Institutional Arrangements

31.2.1 The Investigation of the Current Reality

- An analysis was done of the current reality in terms of the human and financial resources available for the implementation of a PMS for BCM;
- Officials were made aware of and led to understand and accept why a PMS is needed;
- The principles governing the development and use of a PMS were to be identified.

31.2.2 Identification of Stakeholders

- The development and implementation of the IDP and PMS involves the municipal officials as well as other stakeholders outside the administration itself (private and public on different levels),
- That means that responsibilities in the municipal administration have to be defined to both the internal and the external perspective,
- Building strategic partnerships also included clearly-defined responsibilities amongst stakeholders.

The following key stakeholders have been grouped as internal and external to the municipality:

| INTERNAL | EXTERNAL |
|--|---|
| Executive Mayor Mayoral Committee Municipal Council | National Government Minister of Provincial and Local Government Auditor General |
| City Manager Directors General Managers Programme Managers Employees Internal Audit | Provincial Government MEC for Local Government Provincial Departments PIMSS office |
| Local Communities Performance Audit Committee IDP Representative Forum Ward Committees Business Partnerships CBOs NGOs | External Suppliers Service Providers Private Sector Organised Labour Professional Bodies The Media |

31.2.3 Creating structures for stakeholder participation

- The stakeholder forum which existed during the formulation of the IDP process stage, was resuscitated;
- Stakeholders have been allowed to represent their interest in terms of the inclusiveness of the system and process of deciding and communicating expectations and results;
- A series of workshops was arranged, in conjunction with DPLG and the PIMSS office with the view of capacitating all stakeholders.

31.3 Setting Of KPIs Based on the Municipality’s Priority Issues and Objectives and Incorporating the General Key Performance Indicators that are Prescribed in Ministerial Regulations

- The Municipal Systems Act empowers the Minister, after consultations with the MECs, to prescribe general KPIs by regulation. The KPIs set by a municipality must include these general KPIs if they are applicable to the municipality,
- The Thematic Cluster Working Groups identified Objectives, Strategies and Key Performance Indicators (KPIs) as prescribed by applicable legislation which governs the functioning of the municipality,
- The National KPIs have been incorporated with other identified KPIs.

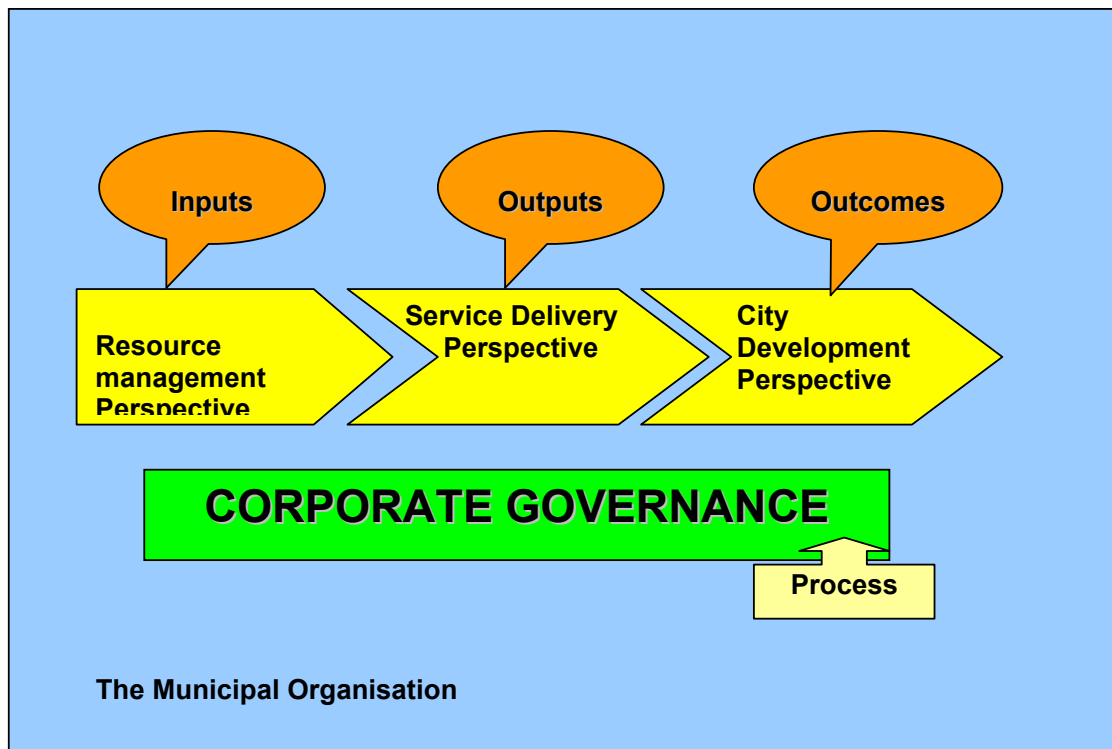
31.4 Setting targets

- The Municipal Planning and Performance Management Regulations regulate the setting of performance targets;
- Performance targets need to be set for each financial year for each KPI;
- The targets need to be commensurate with available resources and the municipalities' capacity;
- During the IDP Review stage, **realistic performance targets** have been set.

31.5 Designing a Performance Measurement Framework / Model

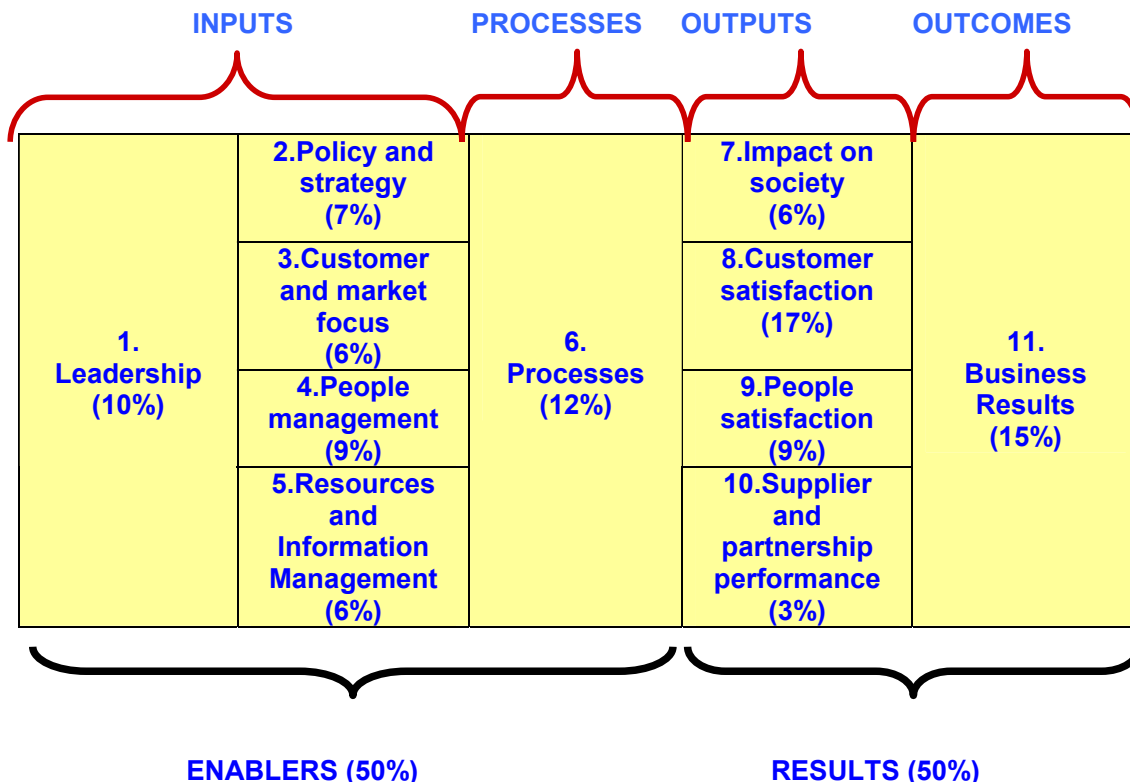
- A municipality is expected to develop a framework for undertaking performance measurements.
- Performance measurement is essentially the process of analysing the data provided by the monitoring system in order to assess performance.
- This requires that municipalities determine what they are going to look at and what they are going to use to measure performance.
- Indicators need to be developed based on KPA's identified in the IDP, the PMS Framework and available or potential sources of information.
- Within a local government setting, a Hybrid Systems Model approach is appropriate for the PMS and includes four perspectives based on inputs, key processes, outputs and outcomes as illustrated in Figure H.1.
- The indicators need to be developed based on these four perspectives.

FIGURE H.1 : The Hybrid Systems Model Approach



- A municipality has the choice of adopting any Performance Measurement Model or developing its own performance measurement model.
- It has been resolved that the HYBRID SYSTEMS APPROACH MODEL and applicable scorecards be incorporated with the South African Excellence Model (SAEM), as a Performance Measurement Framework / Model for BCM, as illustrated below in Figure H.2. The SAEM provides a systems perspective for understanding Performance Management. The model is a non-prescriptive framework based on eleven criteria reflecting validating, leading-edge management practices.

FIGURE E.2. The South African Excellence Model



31.6 Securing partnerships with recognized stakeholders

- As BCM subscribes on a yearly basis to the South African Excellence Foundation (SAEF), it was recommended that a partnership arrangement be negotiated with Daimler-Chrysler South Africa (DCSA), also a member of the SAEF, in order to form a mentorship arrangement and to collaborate on aspects of Performance Management.
- DCSA has indicated their willingness to render assistance to BCM regarding the Performance Appraisal System, Consequence Management and Change Management aspects.
- The City of Tshwane have offered their assistance to BCM regarding the development of a PMS based on the SAEM and the **Scorecard approach**.
- The PIMSS office has served as an invaluable partner for BCM and has provided its expertise on the IDP and PMS processes.
- The Department of Provincial and Local Government (DPLG) has also rendered a supportive role to BCM.

31.7 Linking the Institutional Performance with Employee Performance.

There are two elements to Performance Management at a local government level, i.e. Organisational Performance and Individual / Employee Performance. The performance of an organisation is integrally linked to that of staff. If the employees do not perform an organisation will fail. It is therefore important to manage both at the same time. The relationship between Organisational Performance and Employee Performance starts from planning, implementation, monitoring and review.

In terms of Buffalo City Municipality's Performance Management Process Plan, which was adopted during November 2003, the following phases have been agreed upon: -

YEAR 1 (ENDING JUNE 2004)

- Once an Institutional Scorecard has been developed, Directorate and Departmental scorecards should be developed (These scorecards would be referred to as **INSTITUTIONAL SCORECARDS**);
- For the first year of inception, it is recommended that only the Section 57 employees (in terms of the Municipal Systems Act of 2000) be linked to a PMS at Buffalo City Municipality. This includes the City Manager, Directors and affected General Managers;
- This implies that all Section 57 employees' individual performance would be measured, monitored and audited during this period. (This process would be referred to as **PERFORMANCE APPRAISAL**);
- The Executive Mayor and Mayoral Committee members will also have their performance measured, monitored and audited during this period. (**PERFORMANCE APPRAISAL**);
- **Hence for the first year, the performance of the organization, Executive Mayor, Mayoral Committee members, the City Manager, Directorates, Departments and respective section 57 employees would be measured, monitored and audited.**

YEAR 2/3 (2004/05)

- Cascade the PMS to all levels within the Organisation
- All employees are to have their performance measured, monitored and audited (**PERFORMANCE APPRAISAL**).
- Measure, monitor and audit the performance of all Councillors (**PERFORMANCE APPRAISAL**).
- Measure, monitor and audit the performance of all service-providers (**PERFORMANCE APPRAISAL**).

NOTE: These processes would feed back into the Institutional scorecards.

31.8 Scorecards

A scorecard is a logical and visually powerful method of representing performance management information, at both the Organisational/Institutional (Municipal and Directorate) and Individual (Manager and Employee) levels.

Scorecards must be:

- a. Tightly aligned to the strategic planning and IDP processes
- b. Directly relevant to the notion of developmental local government
- c. A balanced view of performance based on inputs, outputs, outcomes and process
- d. A simple portrayal of municipal performance, where interrelationships can be mapped

There are two levels of scorecards for Buffalo City Municipality, i.e. the Institutional Scorecard and Directorate Scorecards.

31.8.1 Institutional Scorecard

BCM has an Institutional Scorecard that reflects its strategic priorities.

31.8.2 Directorate Scorecards

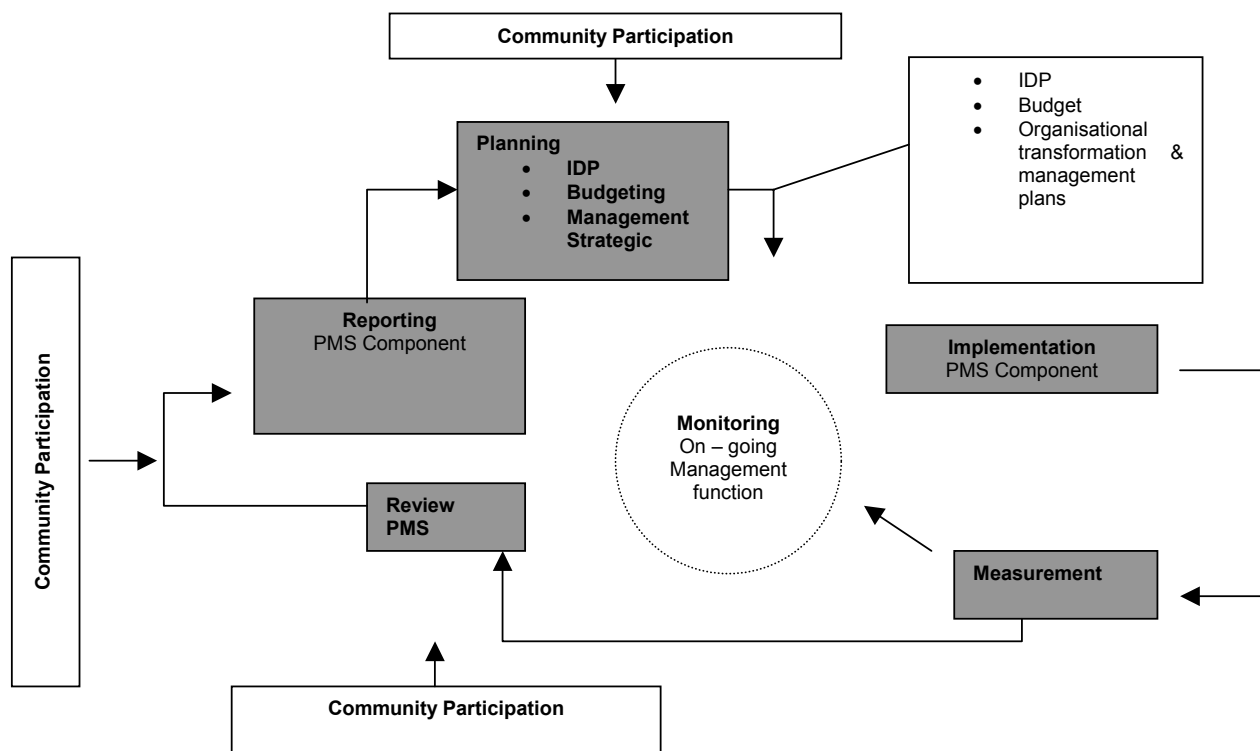
The Directorate Scorecards capture the performance of Directorates. Unlike the Institutional scorecard, which reflects on the strategic priorities of the municipality, a Directorate scorecard provides a comprehensive picture of the performance of that relevant Directorate.

31.9 Integration with other processes

The PMS is a component of municipal governance and management systems that is aimed at ensuring that the municipality is developmental. It must be understood as complementing planning and budgeting. It is an integral part of organisational management and informs staff performance appraisal as much as it is informed by it.

The following diagram is a simple representation of its relationships with other components of municipal governance.

FIGURE H.3: Simplified Municipal Governance Cycle



The relationships in the municipal governance cycle are as follows:

- The Integrated development planning, budgeting processes and management strategic planning processes constitute performance planning.
- The implementation of plans is driven by the performance management system. It uses the IDP, Budget and organisational transformation and management plans produced through planning.
- Measurement, review and reporting are functions of performance management.

- Monitoring is an ongoing management function that serves two key functions:
 - It monitors whether the different components of the cycle are implemented according to the plan.
 - It also monitors whether the IDP and its related budget is being implemented accordingly.
- Community participation is part of the processes with the exception of implementation, measurement and reporting where community participation will be limited if any to largely support the process.