

Performance Management Framework

22.1 INTRODUCTION

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 developed. The system is designed 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 constructs. They are therefore crucial if a proper assessment of the impact of government in improving the quality of life of all is to be done.

22.2 PERFORMANCE MANAGEMENT SYSTEMS

The framework of Chapter 6 of the Local Municipal Systems Act requires municipalities to develop performance monitoring systems that are intended as strategic management tools to enable municipalities to :

- ❑ Monitor their own performance in the implementation of IDPs
- ❑ Improve efficiency, effectiveness, quality and accountability in delivery of services
- ❑ Enable communities to hold municipalities accountable for performance.

Integrated Development Plans are regarded by government as the primary tool to re-orientate local authorities to be more “developmental”, customer-focused and effective in meeting basic needs. The IDP process has :

- ❑ Identified the needs and priorities
- ❑ Established development objectives
- ❑ The setting of local key performance indicators and targets that are feasible.

Performance management is aimed at ensuring that municipalities monitor their IDPs and continuously improve their operations and in terms of Section 19 of the Local Government Municipal Structures Act, that they annually review their overall performance in achieving their constitutional objectives. A local Performance Management System must :

- ❑ Set appropriate performance indicators, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in the IDP
- ❑ Set measurable targets
- ❑ Monitor performance
- ❑ Measure and review performance at least once a year
- ❑ Aim to improve performance
- ❑ Establish a process of regular reporting.

As there is currently no performance management system in Buffalo City Municipality, such a performance management framework is required to be developed during the first year of the IDP which will satisfy the legal requirements as summarized above. The framework for Performance management for Buffalo City should describe how the processes of performance planning, monitoring, measurement, review and reporting will happen. The framework must also indicate how the above process will be organized and managed, by determining the functions of different role-players.

The Local Government: Municipal planning and Performance Management Regulations, 2001, require that the system must : -

- (a) comply with all the requirements set out in the Municipal systems Act ;
- (b) demonstrate how it is to operate and be managed from the planning stage up to the stages of performance review and reporting ;
- (c) clarify the roles and responsibilities of each role player, including the local community, in the functioning of the system ;
- (d) clarify the processes of implementing the system within the framework of the integrated development planning process ;

- (e) determine the frequency of reporting and the lines of accountability for performance ;
- (f) relates to the municipality's employee performance management processes.

The following activities are envisaged :

- ❑ The process of developing the system which entails the investigation of the current reality, identification of stakeholders and creating structures for stakeholder participation
- ❑ Setting of Key Performance Indicators 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 organizational Performance with Employee Performance.

22.3 KEY PERFORMANCE INDICATORS

The Municipal Systems Act provides for a national system of monitoring performance of municipalities. As part of this, the Minister, after consultation with MECs and organized local government, may prescribe general key performance indicators nationally. This has been done following extensive research and consultation.

General Key performance indicators are powerful instruments that can:

- ❑ Ensure that municipalities focus on and dedicate resources to broader strategic priorities of government in their programmes
- ❑ Create a basis for performance comparisons and benchmarking among municipalities
- ❑ Create a basis for uniformity and minimum common standards among municipalities as they set their own indicators during the IDP Process
- ❑ Assist to measure the performance of municipalities in an objective and unbiased manner and
- ❑ Create a framework within which municipalities can set their own indicators.

The following aspects informed the setting of key performance indicators by the national Department of Provincial and Local Government :

- The constitutional mandate of local government
- Developmental and transformation challenges facing local government
- The priorities of local government in the next three years
- The current state of development of local government
- The powers and functions of local government and
- International principles, norms and guidelines for setting performance indicators

The following key performance indicators are required to comply with as prescribed in terms of Section 10 of the Local Government Municipal Planning and Performance Management Regulations, 2001 :

- 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 basic free 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 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 and
- Financial viability as expressed by the ratios in the gazette.

The financial viability as mentioned is indicated by the following ratios:

$$A = \frac{B - C}{D}$$

Where : -

A : Represents debt coverage

B : Represents total operating revenue received

C : Represents operating grants

D : Represent debt service payments (i.e. interest + redemption) due within the financial year.

$$A = \frac{B}{C}$$

Where : -

A : Represents outstanding service debtors to revenue

B : Represents total outstanding service debtors

C : Represents annual revenue actually received for services

$$A = \frac{B + C}{D}$$

Where : -

A : Represents cost coverage

B : Represents all available cash at a particular time

C : Represents investments

D : Represents monthly fixed operating expenditure

Municipalities are required to incorporate these indicators as part of their own indicators set during the IDP process. Furthermore, municipalities must report on these when compiling their annual reports as prescribed in the Municipal systems Act. Municipalities are expected to report on the above indicators by the end of the 2002 / 2003 financial year.