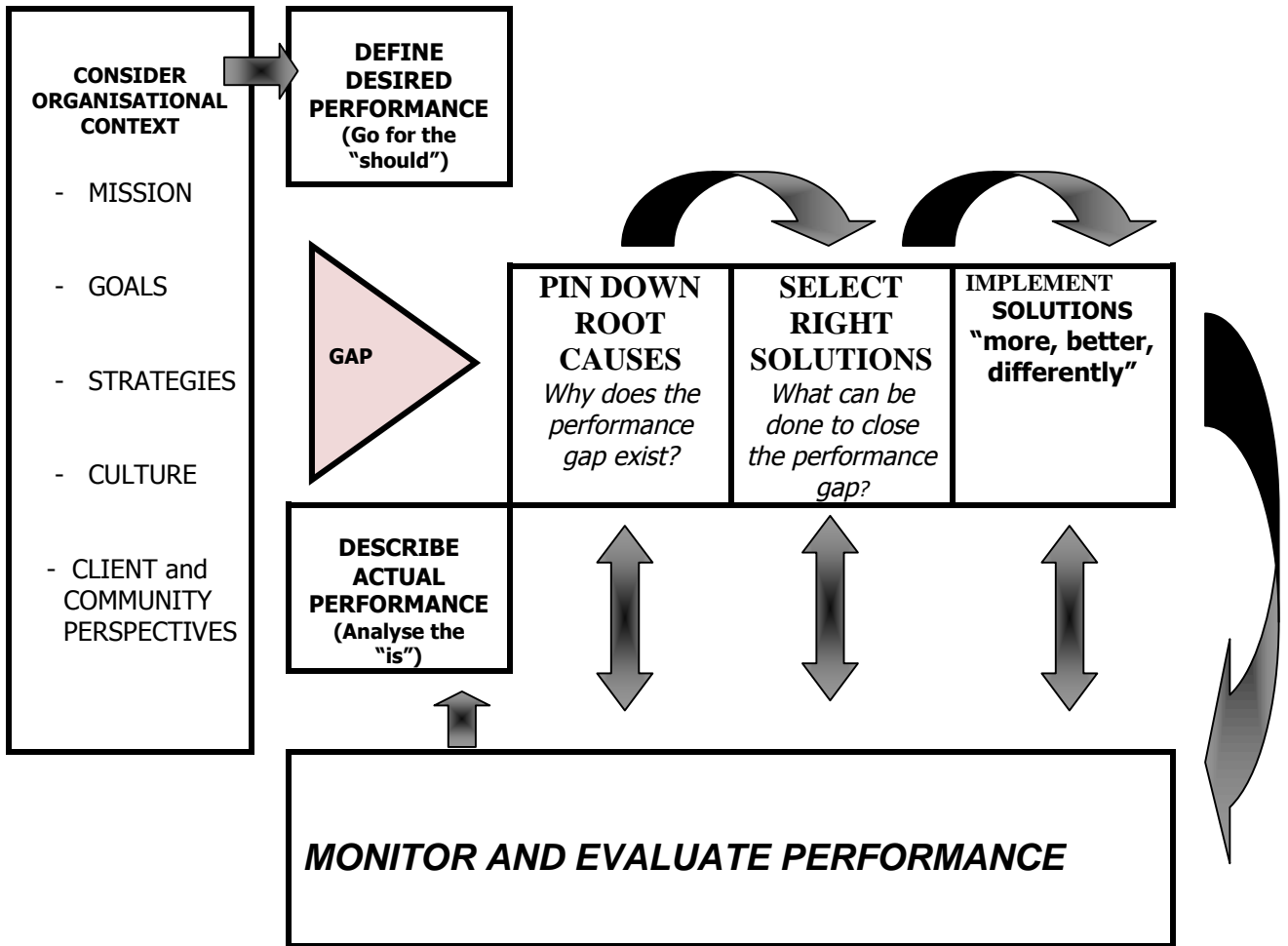


*Performance Management Systems Framework 2010/2011*  
*Aligning people, performance and evaluation strategies*

**ACHIEVE and MAINTAIN STAKEHOLDER AGREEMENT**



*Performance Management Systems Policy*  
**("Mapping the G-A-P-S")**

## **Contents**

- 1. Overview**
- 2. Need for the policy**
- 3. Making sense of the performance management strategy**
- 4. People and performance**
- 5. Background**
  - 5.1 Purpose of the policy
  - 5.2 Nature of the policy
- 6. Key performance areas**
  - 6.1 Service Delivery
  - 6.2 Local Economic Development
  - 6.3 Municipal Transformation and Organisational Development
  - 6.4 Financial Viability
  - 6.5 Good Governance and Public Participation
- 7. Performance dimensions**
  - 7.1 Effectiveness
  - 7.2 Efficiency
  - 7.3 Economy
  - 7.4 Impact
  - 7.5 Quality
- 8. Policy principles**
- 9. Policy objectives**
  - 9.1 To enable the community to call the municipality to account for its performance by means of structured community involvement
  - 9.2 To improve responsiveness of the municipality to community's needs, desires and aspirations and therefore the satisfaction of the community
  - 9.3 To identify gaps in the capacity of the municipality and to address them
  - 9.4 To improve the effectiveness, sustainability and efficiency of service delivery
  - 9.5 To ensure effective, economical and efficient use of resources
  - 9.6 To promote vertical and horizontal integration of activities

- 9.7 To promote loyalty, morale and performance of employees
- 10. Process outline**
  - 10.1 Alignment with integrated development plan
  - 10.2 Setting key performance indicators
- 11. Alignment with the integrated development plan**
- 12. Setting of key performance indicators**
- 13. Monitoring performance**
- 14. Measuring framework**
- 15. Frequency of measurements**
- 16. Reviewing and evaluating performance**
- 17. Determine under performance and undesirable outcomes**
- 18. Determine reasons**
- 19. Formulate strategies for addressing or preventing under performance  
(improve actions)**
- 20. Progress and annual reporting**
- 21. Alignment of the integrated development plan process and the development  
of the performance management systems**

## **1. Overview**

The local municipality of Setsoto is embarking on a process of fundamentally changing the municipality so as to ensure that the needs of the community are met effectively and efficiently as per the objectives and key performance areas contained in the 5 Year Local Government Strategic Agenda. A key process to bring about the desired change is the development, implementation and maintenance of a performance management system policy for the municipality.

The municipality understands performance management to be an integrated management strategy that seeks-

- to create a shared vision of the purpose, aims and values of the municipality,
- to help councillors and employees to understand their part in contributing to achieving those aims and maintaining those values and
- in so doing, manage and enhance the performance of councillors, individual employees and that of the municipality as a whole.

## **2. Need for the policy**

The need for a performance management systems policy stems from the legal obligation on municipalities to develop, implement and maintain a performance management system. A policy is necessary to provide direction to the municipality in developing, applying and reviewing its performance management systems and to inform the community of the municipality's intentions in this regard.

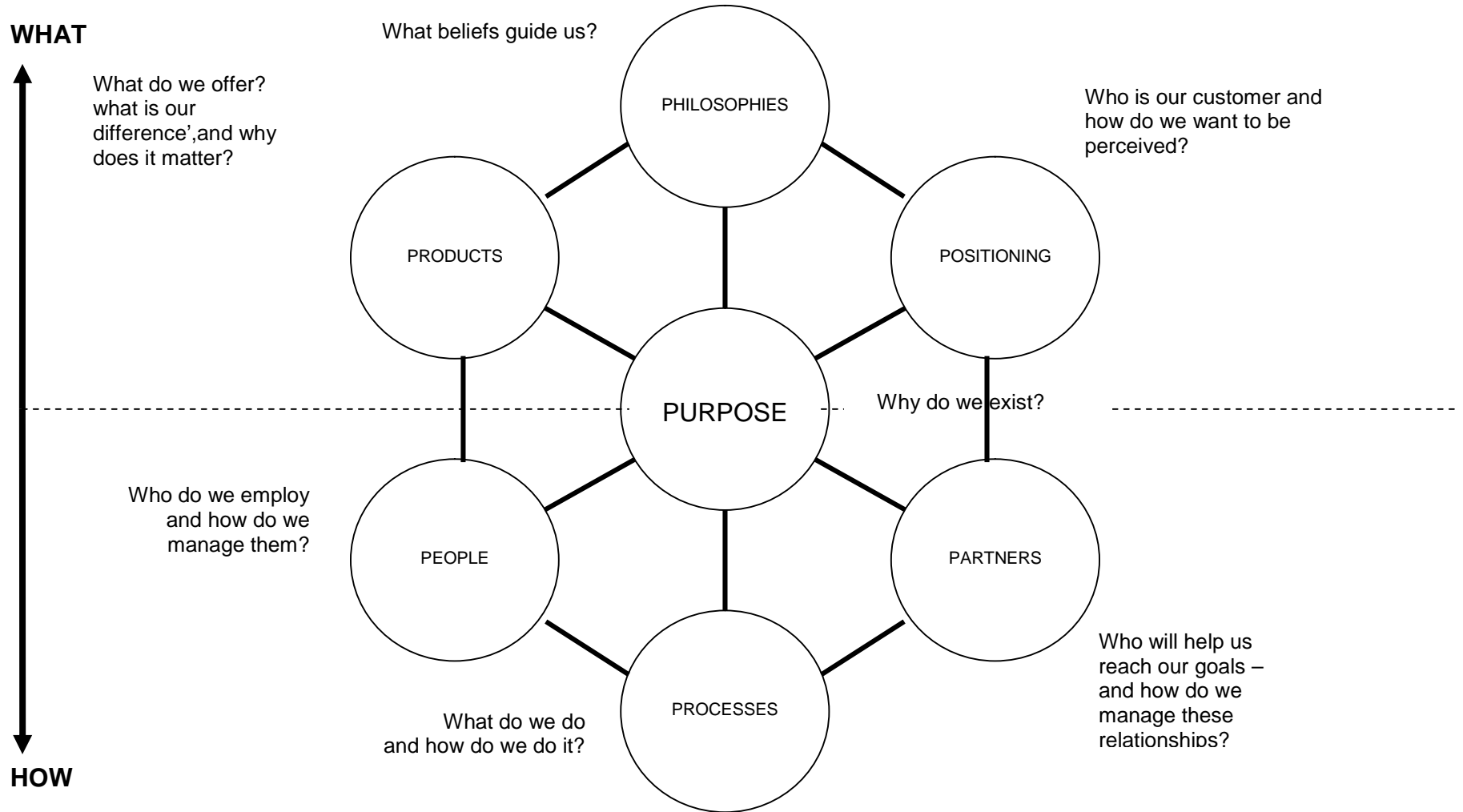
A policy regarding performance management systems in the municipality is necessary to ensure that-

- ◆ the financial implications of the performance management systems and decisions about performance management systems are taken into account
- ◆ the development of a performance management systems is facilitated and purposeful
- ◆ the performance management system is enforceable
- ◆ measurements and evaluation of performance are consistent across the municipality's units, departments, divisions and sections.
- ◆ feedback is provided regarding performance.

A performance management systems policy is necessary to-

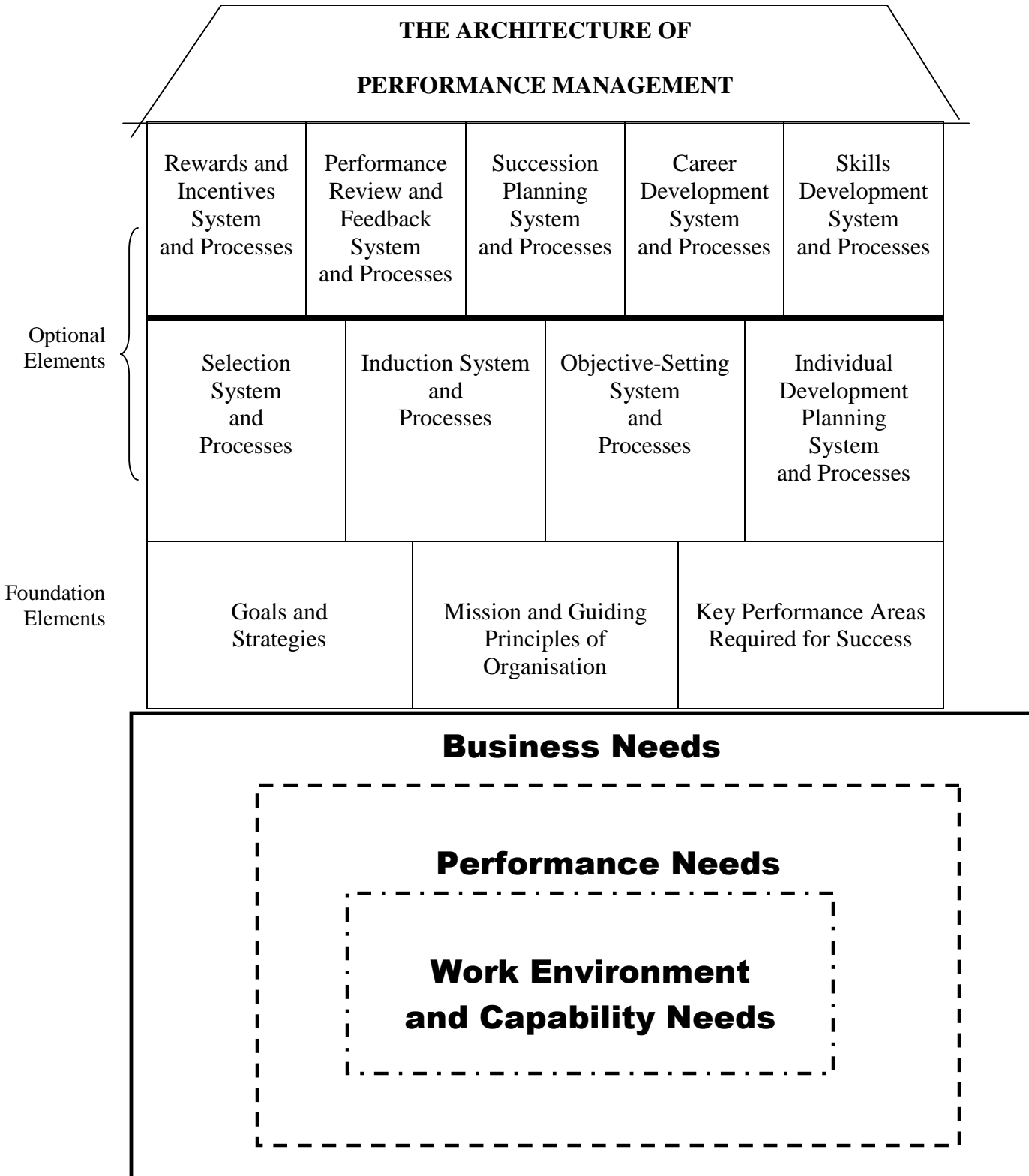
- ◆ measure the municipality's performance;
- ◆ ensure that the decisions and intentions of the municipality are implemented and realised; and
- ◆ that objectives are precise and clear.

### 3. Making sense of the performance management strategy



#### 4. People and Performance

##### Aligning people, performance and evaluation strategies



- ◆ **BUSINESS NEEDS** are the operational and/or strategic goals for a unit, department or organisation. They are expressed in operational terms and are measured in numbers.
- ◆ **PERFORMANCE NEEDS** are the on-the-job behavioural requirements of people who are performing a specific job. These needs describe what people need to do if the business needs are to be met. They also describe the best practices by which these results are produced. Performance needs are measured behaviourally.
- ◆ **WORK ENVIRONMENT NEEDS** identify work processes, information, incentives and other factors that are needed if the performance needs are to be achieved.
- ◆ **CAPABILITY NEEDS** identify knowledge, skill and attitudes required of people if they are to perform successfully. Capability needs also include job match and inherent ability

## **5. Background**

The central expectation of the new local government system is increased-

- ❑ rationality,
- ❑ predictability and
- ❑ value for money.

Traditionally the municipality planned on a year-to-year basis. The annual budget, and specifically the capital budget, was the only plan that was prepared, adopted and implemented every year.

The new approach requires longer term, integrated planning. It seeks to establish increased rationality and predictability in municipal activities. Municipal plans must be clearly linked to resident expectations, capacity and needs and the stated intentions of other spheres of government and organs of state within those spheres. The new local government system also requires that plans must not only be made but that they are also implemented and that a municipality actually achieves what it planned for. Planning is merely an enabling process.

Municipalities are the core institutions for achieving a better life for all as promised in the Constitution of the Republic of South Africa 1996 (Act No 108 of 1996) and elaborated in several policies of national government. To achieve this vision of a new South Africa, municipalities are required to make and implement integrated development plans as well as performance management systems. These two processes are opposite sides of the same coin. The one is more or less worthless without the other.

### **5.1 Purpose of the policy**

The purpose of the policy is-

To improve the service delivery performance of the municipality on a continuous basis by ensuring implementation of the IDP.

### **5.2 Nature of the policy**

The policy contained in this document provides a framework-

- ◆ for a uniform approach to performance management systems throughout the municipality; and
- ◆ for defining the roles of different role players in the performance management systems

## **6. Key performance areas**

The performance management systems will measure the municipality's performance in relation to the following key performance areas:

### **6.1 Service Delivery**

Which will include all priorities and objectives relating to the municipal services the municipality intends to deliver during the year in question as set out in the IDP;

- Ensure meeting service delivery targets:
  - Sanitation-2010
  - Electricity-2012
  - Universal access to Free Basic Services
  - Develop a national Municipal infrastructure Investment Policy and Strategy- a roadmap for universal FBS
  - Align sector plans to FSGDS, IDPs and NSDP
  - Facilitate hands-on support, Siyenza Manje, SDFs and DWAF

### **6.2 Local Economic Development**

Which will include all the priorities and objectives of the municipality set out in the IDP relating to household, social and economic infrastructure provision, local economic development and poverty alleviation during the year in question;

### **6.3 Municipal Transformation and Organisational Development**

Which will include all the priorities and objectives of the municipality relating to human resources management and the use of information technology, including measures to comply with the provisions of the Employment Equity Act, the Skills Development Act as well as section 51 of the Local Government: Municipal Systems Act during the year in question;

### **6.4 Financial Viability**

Which will include all the priorities and objectives of the municipality related to improving and maintaining the financial sustainability of the municipality and the proper management of its finances and assets during the year in question;

### **6.5 Good Governance and Public Participation**

Which will include all the priorities and objectives of the municipality relating to improving the relationship among the council, administration, community and intergovernmental relations, including mechanisms, processes and procedures for

community participation in the affairs of the municipality, during the year in question.

## **7. Performance dimensions**

The municipality will measure and evaluate its performance in five dimensions, as follows, by using appropriate key performance indicators (KPIs) for measuring input, outcome and output:

### **7.1 Effectiveness**

Why a particular service/project/programme (activity) exists and what it seeks to achieve, including access to the benefits of the activity;

### **7.2 Efficiency**

The resources committed to a particular activity and how they are turned into outputs;

### **7.3 Economy**

The cost of acquiring the resources used to perform a particular activity;

### **7.4 Impact**

The net improvement or deterioration in the quality of life or organisational performance brought about by a specific activity or the effect of a specific activity, whether intended or unintended, desirable or undesirable; and

### **7.5 Quality**

The opinion of the users of services of how “good” a particular service is and the objective standard at which an activity is performed.

## **8. Policy principles**

The municipality’s performance management systems must-

- ✓ promote predictability
- ✓ be effective
- ✓ be efficient
- ✓ promote economical use of resources
- ✓ be simple
- ✓ be realistic
- ✓ comply with legislation.

## 9. Policy objectives

### **Objective 1: To enable the community to call the municipality to account for its performance by means of structured community involvement**

During the making and annual revision of the municipality's IDP, the community will have the opportunity to tell the municipality what it needs and priorities are. Those priorities and needs will be incorporated into the IDP and will be implemented through the annual budget. However, the performance management systems will give the community the opportunity to determine and tell the municipality whether the actions of the municipality were in accordance with its promises as stated in the IDP.

Therefore the community and community organisations must be active participants in the measurement of results and the evaluation of the municipality's achievements. The municipality will, at least once during every year, publish an annual report that will reflect on the municipality's achievements and the reasons for under performance, if any.

The municipality will also implement measures to ensure that the community and community organisations are continuously involved in local government matters that affect them. In this process attention will especially be given to those sectors of the community that tend to be often marginalised, such as women, persons with disabilities and the youth.

### **Objective 2: To improve responsiveness of the municipality to the community's needs, desires and aspirations and therefore the satisfaction of the community**

The municipality realises that its existence depends on the people living within its municipal area. The municipality wishes to be responsive to the needs and aspirations of the community within the means and capacity of the community.

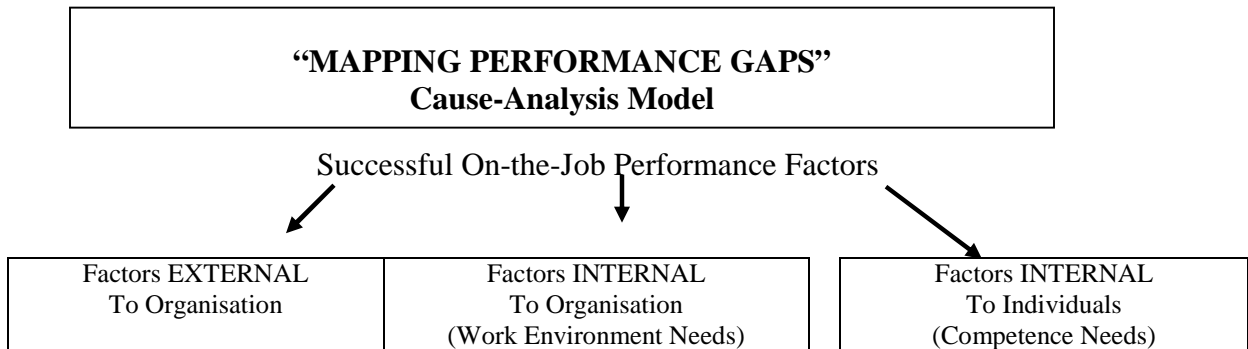
For this purpose, the municipality will implement a range of mechanisms, processes and procedures to ensure and facilitate community participation. Specifically the municipality will consider-

- The maintenance of the IDP Representative Forum,
- A system of regular ward and constituency meetings between residents and councillors,
- The installation of suggestion and complaints boxes in every ward,
- Holding public hearings on specific issues,
- More effective use of the print and audio media for information dissemination,
- Improvements of the complaints handling system,
- A system for receiving and considering petitions,
- Increased access to meetings of the council and its committees.
- Implementation of the employee performance appraisal systems

**Objective 3: To identify gaps in the capacity of the municipality and to address them**

Performance and capacity are interrelated concepts. Organisational performance arises from the use of capacity. Assessing performance therefore identifies areas where capacity needs building. The municipality will ensure that where gaps in its institutional or human resources capacity are identified those gaps will be filled in. Specifically the municipality will ensure that-

- Its systems, work procedures and processes are suitable for increased performance, and
- Its employees and councillors have the skills and expertise required to perform their jobs effectively and efficiently



Factors outside the control of anyone in the organisation.  
Examples include: economic conditions, competition and government regulations.

Factors within the control of management of the organisation.

Factors within individuals that ensure they are capable of performing as needed, on-the-job.

**Categories:**

1. Clarity of Roles and Expectations
2. Coaching and Leadership
3. Incentives and Consequences .
4. Work Systems and Processes .
5. Access to Information, People, Tools and Job Aids

**Categories:**

1. Competencies: Knowledge, Skills and Attitudes
2. Inherent Capability or Potential

#### **Objective 4: To improve the effectiveness, sustainability and efficiency of service-delivery**

Effectiveness is the degree to which a service, project or programme (activity) undertaken or delivered by or on behalf of the municipality supply the needs of the community in quantitative and qualitative terms. In order to improve the effectiveness of service delivery the municipality will seek to continuously improve-

- the quality and coverage of services (i.e. the proportion of people who benefit from or receive a service to all those who need it);
- the spatial, functional and financial accessibility of services;
- its information about the nature and the extent of the need for services;
- gathering correct information about the impact (i.e. the change of status that can be attributed to a particular intervention) of services on the lives of people; and
- the setting of clear, transparent and measurable indicators and targets against which the performance of the municipality and service providers who act on behalf of the municipality and the satisfaction of the customers can be measured.

Efficiency is the extent to which the municipality produces an output of the desired quality in the desired quantity with the least possible resources. It relates to the quantum of the human, financial and other resources consumed and, where applicable, time taken, to deliver each service, project and programme at the specified quality and in the specified quantity. It has to do with how well the municipality uses resources to produce specified outputs. In order to improve efficiency the council will ensure that-

- the Integrated development plan includes specific, measurable, achievable, relevant and time-bound objectives;
- everybody in the municipality knows what those objectives are;
- standards to measure the achievement of objectives and the use of resources exist;
- continuous actions to improve efficiency are undertaken and
- councillors and employees committed and have the skills and other attributes necessary for continuous improvement of performance.

Services provided by the municipality must be environmentally and financially sustainable. The municipality will ensure that its services are environmentally sustainable by ensuring that-

- the risk of harm to the environment and to human health and safety is minimised to the extent reasonably possible under the circumstances;
- the potential benefits to the environment and to human health and safety are maximised to the extent reasonably possible under the circumstances; and
- legislation intended to protect the environment and human health and safety is complied with.

The municipality will also ensure that services are financially sustainable by ensuring that municipal services are provided in a manner that would ensure that the financing of that service from internal and external sources, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of at least-

- the initial capital expenditure required for the service;
- operating the service; and
- maintaining, repairing and replacing the physical assets used in the provision of the service.

#### **Objective 5 To ensure effective, economical and efficient use of resources**

Effective use of resources requires that the municipality use its resources to supply real needs of the people residing in the municipal area. In order to ensure effective use of resources the municipality will improve its information gathering system to ensure that it has correct information of the needs and priorities of the residents and that those needs are quantified. The IDP and other plans made by the municipality will therefore be based on evidence and not opinions.

Efficient use of resources requires that the quantum of the human, financial and other resources consumed and, where applicable, time taken, to deliver a service, project and programme at the specified quality and in the specified quantity must be known and continuously reduced. To ensure efficient use of resources the municipality will –

- set standards to measure the achievement of objectives and the use of resources;
- continuously undertake actions to improve efficiency; and
- promote the commitment of people within the municipality and that they have the skills and other attributes necessary for continuous improvement.

Economy refers to the cost of obtaining resources of the appropriate quality and quantity as inputs into the municipality. It means that the cost of providing one specified unit of each service that is delivered is known. The municipality will ensure that for each service that is provided, whether externally or internally, units would be determined and unit costs calculated. The unit cost of a service includes at least the following cost factors:

- the capital investment required or incurred, including any planning costs and, where applicable, the purchase price and costs incidental to acquiring land and interest and redemption on loans connected to such a service;
- the cost of preparing documentation, inviting and adjudicating tenders for the execution of work, the supply of materials or goods and the provision of services connected to such a service;
- the cost of professional services, including land surveying, connected to the provision of such a service;
- the cost of acquiring or renewing any approvals, licenses, servitudes or permits in regard to the service concerned;
- the cost of insuring, maintaining, repairing and replacing the physical assets used in connection with such a service;
- in appropriate cases, the cost of acquiring raw materials for delivering the service concerned, whether in bulk or retail quantities; and
- the cost of managing, administering and operating the service concerned.

**Objective 6: To promote vertical and horizontal integration of activities**

The municipal area is the place where the activities, programmes and services of public and private institutions take place. Therefore, the initiatives and activities of all those institutions impact on the residents within, and on the activities of the municipality.

Through the integrated development plan the municipality will integrate the activities of external actors to ensure that services are provided in a comprehensible manner. The municipality will also ensure that, through appropriate changes to the structure of the administration as well as internal work processes, activities of the municipality itself are properly integrated.

## **Objective 7: To promote the loyalty, morale and performance of employees**

The performance of the municipality will only improve if all its employees work smarter and better. Therefore, an important component of the performance management systems is an employee performance appraisal system. The municipality will ensure that its employee performance appraisal system is developed in such a way that-

- ▶ employees would know exactly what would be expected of them,
- ▶ employees would be involved in setting their own performance objectives,
- ▶ exceptional performance is consistently rewarded and
- ▶ where under performance is determined, the employee performance appraisal system must assist in determining the reasons for such under performance. The municipality will give reasonable opportunity for employees to improve their performance.

### **10. Process outline**

The performance management systems policy will be developed according to the following process:

### **11. Alignment with integrated development planning process**

The performance management system and the integrated development plan are interlinked and inseparable from each other. The integrated development plan must enable the municipality to implement performance management systems.

### **12. Setting key performance indicators**

The municipality will, after consultation with community organisations, set appropriate key performance indicators for each and every objective contained in the integrated development plan. These key performance indicators will include the general key performance indicators set by the Minister for Provincial and Local Government. The key performance indicators will serve as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan.

Key performance indicators will be set for each of the key performance areas determined in terms of this policy. The following types of key performance indicators will be set:

**Input indicators:** These are indicators that measure the cost, resources and time used to produce an output.

**Outcome indicators:** These are indicators that will be used to measure the quality and impact of an output on achieving a particular objective.

**Output indicators:** Those indicators that measure the results of activities, processes and strategies of a programme of the municipality.

**Setting targets**

The municipality will set measurable performance targets with regard to each key performance indicators that it determined. The municipality will ensure that the performance targets that are set will-

- ➔ be practical and realistic;
- ➔ measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;
- ➔ be commensurate with available resources;
- ➔ be commensurate with the municipality's capacity; and
- ➔ be consistent with the municipality's development priorities and objectives set out in the integrated development plan.

### **13. Monitoring framework**

The monitoring sub-system clarifies-

- What will be monitored, in terms of key performance areas, indicators and targets

The municipality will monitor all the key performance areas and performance dimensions in respect of which key performance indicators and performance targets had been set. Continuous and programmed monitoring will be done to enable the municipality to early detect and predict indications of under-performance. Based on the reasons for likely under-performance, the municipality will ensure that corrective measures are taken to achieve the set targets.

- The institutional framework in terms of roles of different role-players in the monitoring process:

The council will receive performance reports from the executive committee at least twice during a financial year. The executive committee is responsible for ensuring that the standing committees, municipal manager and other managers of the municipality gather relevant information throughout every reporting period in order to submit a draft performance report and must determine the format of the report.

The municipal manager and other managers must ensure that the key performance indicators and performance targets set are met. This requires proper work planning and scheduling, appropriate resourcing of activities and continuous supervision. The

management must also identify likely underperformance and take corrective action where necessary in time to ensure that performance targets will be met.

The internal auditing function must audit and assess the accuracy of performance reports, the functionality of the performance management system, whether the performance management system complies with the relevant legislation and the extent to which the municipality's performance measurements are reliable in measuring performance. In addition the internal auditor must continuously audit the performance measurements of the municipality and submit quarterly reports on these audits to the municipal manager and the performance audit committee.

The performance audit committee must review the quarterly reports submitted to it, review the performance management system and make recommendations in this regard to the council via the executive committee and at least twice during a financial year submit an audit report to the municipal council via the executive committee.

In reviewing the municipality's performance management system, the performance audit committee must focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the municipality are concerned.

The performance audit committee may communicate directly with the council, municipal manager or the internal and external auditors of the municipality, 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.

- The duties involved in continuous data gathering and reporting and who would be responsible for it:

The municipal manager must designate one manager directly accountable to him as project manager for performance management systems monitoring and data gathering. The municipal manager and other managers must install a supervisory and reporting system that would ensure that relevant data is continuously gathered. This system may include focus group research, surveys and techniques.

- The mechanisms that must be used to gather, store, analyse, report and verify data:

The mechanisms to gather, store, analyse, report and verify information that may be used include appropriate information technology, project site reports, research, focus group research, surveys and internal reporting;

- Interventions that may take place to rectify any shortcoming, likely under-performance, or unintended or undesirable outcome detected:

The municipal manager and other managers must implement appropriate actions to rectify and prevent likely under-performance.

#### **14. Measuring framework**

The measuring and review sub-system clarifies:

- What the municipality intends to measure in terms of key performance areas, indicators and targets.

Performance will be measured against general and local key performance indicators. This will include the measurement of costs, resources and time used to produce outputs in accordance with the input indicators, the extent to which the municipality's activities or processes produced outputs in accordance with the output indicators and the total improvement brought by outputs in accordance with the outcome indicators.

- What is involved in performance measurement?

One of the key components of performance measurement must be an analysis of how a municipality is performing in relation to general and local performance indicators and performance targets.

- Mechanisms, techniques and tools to be used in undertaking performance measurement and reviews.

The municipality will compare its current performance to the previous year's performance, other comparable municipalities and against baseline indicators.

#### **15. Frequency of measurements.**

Measurements must be performed at least twice a year.

#### **16. Reviewing and evaluating performance**

The municipality will, with regard to each development priority and objective in the integrated development plan and against the set key performance indicators and performance targets, monitor performance and measure and review performance at least once per year. The monitoring, measurement and evaluation of performance also serve as an early warning indicator of under-performance. The review system must-

- ▶ identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance indicators and performance targets set by it as well as the general key performance indicators,
- ▶ review the key performance indicators set by the municipality and

- ▶ allow the local community to participate in the review process.

### **17. Determine under performance and undesirable outcomes**

The integrated development plan sets out what the municipality intends to achieve every year during the term of office of the council. Essentially it contains the municipality's promise to the community.

The performance management systems must determine whether those promises had been fulfilled and how well they had been fulfilled. However, it may happen from time to time that the municipality made promises that it could not keep or that its fulfillment of a promise had an undesirable result. The performance management systems must clearly identify any under performance and undesirable results.

### **18. Determine reasons**

The performance management systems must facilitate the determination of the reasons for under performance and for undesirable results being achieved.

### **19. Formulate strategies for addressing or preventing under performance (improvement actions)**

Once the reasons for under performance or undesirable results had been established, steps to improve performance with regard to those development priorities and objectives where performance targets are not met or to minimise the impact of any undesirable results must be taken.

### **20. Progress and annual reporting**

The municipality will establish a process of regular reporting to the council, other political structures, political office-bearers, the staff of the municipality and the public and appropriate organs of state.

**Alignment of the integrated development plan process and the development of the performance management systems**

