

## 9. PERFORMANCE MANAGEMENT SYSTEM

### 9.1 OVERVIEW

A performance Management System refers to the processes and systems for measuring, monitoring, reviewing, assessing performance, and then initiating steps to improve performance within the organization by focusing on departments, managers, supervisors and individual workers. PMS is a legal requirement and it is enforced by the Municipal Systems Act (MSA), Municipal Finance Management Act (MFMA), Municipal Planning and Performance Management Regulations (2001). 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 an instrument to assess performance.

### 9.2 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, Act 32 of 2000

Municipal Planning and Performance Management Regulations (2001)

Municipal Financial Management Act 56 of 2003 (MFMA)

Municipal Planning and Performance Management Regulations (2006)

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

Develop a Performance Management System

Set targets, monitor and review performance based on indicators linked to their Integrated Development Plan (IDP)

Publish an Annual Report on performance for the councilors, staff, the public and other spheres of Government

Conduct an internal audit of performance before tabling the report

Have their annual performance report audited by the Auditor-General

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:

- Complies with all the requirements set out in the Municipal Systems Act
- Demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting
- Clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system
- Clarifies the processes of implementing the system within the framework of the Integrated Development Planning process
- Determines the frequency of reporting and the lines of accountability for performance
- 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 R1,100-00 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 Local Government Municipal Performance Regulations, 2006:-

- Seeks to set out uniform manner to monitor and improve the performance of the Municipal Manager and the Managers directly accountable to the Municipal Manager.
- Set the standard requirements for the context of the Employment Contract and Performance Agreement that is entered of the Municipal Manager and the Managers that are directly accountable to him
- Base the assessment of the Municipal Managers performance on outcomes (performance indicators) identified as per the performance plan which are linked to the KPA's, which constitute 80% of the overall assessment result. The KPAs

identified in that regard is Basic Service Delivery, Municipal Institutional Development and Transformation, Local Economic Development (LED), Municipal Financial Viability and Management, and Good Governance and Public Participation

In the case of managers directly accountable to the municipal manager, the key performance areas related to the functional area of the relevant manager must be subject to negotiation between the municipal manager and the relevant manager

The respective manager is also assessed based on the Core Competency Requirement (CCR) which must make up the other 20% of the employee's assessment score. The CCR comprises of the Core Managerial Requirement (i.e. Strategic Capability and Leadership, Programme and Project Management, Financial Management, Change Management, Knowledge Management, Problem Solving and Analysis, Service Delivery Innovations, People Management and Empowerment, communication, Honesty and Integrity) and

Core Occupational Competency (i.e. Self Management, Implementation and Interpretation of legislations and National Policy Frameworks, Knowledge of developmental local government and Performance Management and Reporting, knowledge of global and South African Political, Social and Economic Context, knowledge of more than one functional field in the municipality, skills in governance and mediation, exceptional and dynamic creativity to improve the functioning of the municipality)

The objective of institutionalizing 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 fulfill the following functions:

Promote accountability

Guide 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

## 9.3 IMPLEMENTATION OF PERFORMANCE MANAGEMENT SYSTEM IN MATATIELE LOCAL MUNICIPALITY

### 9.3.1 PROGRESS IN TERMS OF DEVELOPING PERFORMANCE MANAGEMENT SYSTEM

In compliance with the basic requirement of Chapter 6 of the Municipal Systems Act (2000), Matatiele Local Municipality have prepared the policy

framework for implementing a Performance Management System (PMS). The policy framework was adopted in July 2010. The PMS model that is used by Matatiele is a Municipal Scorecard. The policy framework recommended this Model because it is a conceptual framework that provides guidance as to what aspects of the municipality's performance should be measured and managed.

The model has proved useful in performance management for it provides balance, simplicity, mapping of inter – relationships and alignment to the Integrated Development Planning processes of the municipalities. The model also prompts municipal organizations to take a balanced view in terms of how it measures and manages its performance. It prevents bias by ensuring that performance measurement does not heavily rely on one facet of performance (i.e. financial viability), but rather encapsulates a multi – perspective holistic assessment of the municipality's performance. It is considered simple because it covers all key areas of performance within the municipal organization.

The municipality facilitates the implementation of this framework on an on – going basis as a tool to meet the targets that are outlined on the municipal objectives and priorities as entailed in the comprehensive Integrated Development Plan (IDP). The Service Delivery and Budget Implementation Plan (SDBIP) is prepared on an annual basis to monitor the implementation of the IDP and Budget in the immediate term. The SDBIP captures the IDP capital projects and other municipal operational activities which have been resourced with funding and human capital for the current financial year and set the measurable annual and quarterly targets for Council to be able to monitor development on the ground versus what has been planned.

It is also through the SDBIP that Matatiele Management report to the Municipal Council in a structured manner (i.e. Monthly and Quarterly) and the performance of the Municipal Manager and Section 57 Managers is thus monitored. The Municipal Manager is directly responsible for the Performance of the municipality as such the IDP and PMS Unit are located within the Office of the Municipal Manager. The key units that mainly assists the Municipal Manager with PMS can be briefly discussed as follows:

IDP, Monitoring and Evaluation Unit (PMS) – this unit is responsible for the development and review of the Municipal Integrated Development Plan,

compilation of the Service Delivery and Budget Implementation Plan, consolidation of the SDBIP quarterly reports for Council, Mid – Year Budget and Performance Report, Annual Performance Report and co – ordination of the Strategic Planning Session. This unit also assists the municipal manager with the preparation of the Section 57 manager’s performance contracts and performance plans, undertaking of individual performance assessment in line with SDBIP and recommendations on performance appraisal.

Budget and Treasury (Financial Reporting) – this office is responsible for monitoring the municipality’s performance in terms of financial expenditure in line with the IDP, Budget and SDBIP. This also includes consolidation of monthly and quarterly financial reports that are part of the SDBIP quarterly reports, Mid Year Report and Annual Financial Statements.

In addition to the above the municipality is advised to consider the allocating additional PMS functions to the Internal Audit Unit and the External Audit Committee. These functions can be briefly outlined as follows:-

Internal Auditing – this unit can be mainly responsible for performance audit in order to ensure that performance management is implemented in a manner that complies with the legislations. This unit can serve as an internal advisory to the existing personnel responsible for PMS and co – ordinate the External Audit Committee meetings.

Independent Advisory (External Audit Committee) – The Audit Committee can be responsible for commissioning 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. These performance investigations should assess the reliability of reported information, the extent of performance gaps from targets, the reasons for performance gaps, corrective action and improvement strategies. While the internal audit may be used to conduct these investigations, it is preferable that external service providers, preferably academic institutions, who are experts in the area to be audited, should be used.

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### 9.3.2 CURRENT CHALLENGES

Although there are no major challenges that can be indicated at this stage, the functions of performance management can generally be acknowledged as the draining exercise. In addition to that some of the units that are entrusted with the responsibilities of assisting the Municipal Manager with the monitoring and evaluation are still new for instance the PMS policy framework has recently been adopted (July 2010) and the Manager IDP, Monitoring and Evaluation was appointed towards the end of 2010. Nevertheless, the Matatiele Municipality is ready to robustly implement PMS.