

Metsweding District Municipality

PMS Framework

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Glossary of Terms

Baseline information or baseline measurement is the information obtained when a municipality for the first time collects information for any measure. The baseline measurement is the starting point performance, or initial level of performance shown by the measure. Targets are set in relation to the baseline.

Benchmarking is the process of comparing one's own performance to the performance of others. It is a process whereby Municipalities of a similar nature use each other's performance standards as a collective standard against which to measure themselves. It includes cross-organisational "best practice" comparisons.

Benchmark according to Merriam-Webster's dictionary is –

- a point of reference from which measurements may be made;
- something that serves as a standard by which others may be measured or judged; and
- a standardized problem or test that serves as a basis for evaluation or comparison (as of computer system performance).

Focus areas are those areas in which the Municipality intends to excel and focus its limited resources over the next three to five years. Not only will these be the areas that will form the main emphasis of the new budget, they will also be the areas to which most of the money, time and labour will be allocated.

General Key performance indicators are the measures prescribed in Regulation 10 of the Local Government: Municipal Planning and Performance Management Regulations (Government Notice R.796 of 24 August 2001).

Guiding principles (*what we stand for*) are non-negotiable top level principles that guide all plans, programmes, projects and development initiatives in the Municipal area.

Integrated Development Plan is the Municipality's five-year strategic plan that adopts an implementation approach and seeks to promote integration by balancing the economic, ecological and social pillars of sustainability without compromising the institutional capacity required in the implementation, and by coordinating actions across sectors and spheres of government.

Measures (key performance indicators) tell us whether progress is being made in achieving objectives. They are essentially statements that describe the dimensions of performance which are considered key when assessments and evaluations are undertaken. Three elements are important in the measuring of performance:

- **Inputs**, i.e. the costs, resources and time used to produce an output. These refer to economy and efficiency measurements.
- **Outputs**, i.e. the results and effectiveness of activities, processes and strategies of a program of the Municipality. It measures whether a set of activities or processes yields the desired output. It shows the '*deliverables*' of programmes and projects.
- **Outcomes**, i.e. the quality and/or impact of the outputs on achieving the overall objective. It measures whether the output yields the desired outcomes. It shows the broader consequences of programmes and projects.

Mission (*why we exist*) is a clear and enduring statement of the Municipality's purpose and describes what the organisation does, what it is about.

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Performance auditing is the process of verifying or checking whether the performance measurement system is working properly and also whether the information collected and used in the system is correct.

Performance management is a strategic approach to management that equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and evaluate performance of the Municipality in terms of measures (indicators) and targets for efficiency, effectiveness and impact.

Performance management framework describes and represents the way the Municipality gathers, presents and uses its performance information. It is a practical plan, made up of mechanisms and processes, for the Municipality to collect, process, organise, analyze, audit, reflect on and report performance information. It includes determining the roles of the different role-players.

Performance management model is a choice about what aspects or dimensions of performance will be measured. Different models give different pictures of performance by emphasizing different things to measure. The model a municipality chooses will influence which measures it decides to use and how it will group these measures together into areas of performance.

Performance management system: The Municipality will be developing a framework for how to work with performance information. It will also be developing a model which tells it what performance dimensions are worth measuring and managing. Together these two components make up the Municipality's performance management system.

Performance measurement refers to the use of performance measures to show how well the Municipality is performing. It involves determining the extent to which objectives are being achieved through developing measures and linking them to targets and related standards. It is a process of continuously analyzing assessment and measurement results, in terms of measures and targets, to determine success or failure.

Performance monitoring is an ongoing process of collecting, analyzing and using performance information to assess how well the Municipality is doing and to what extent targets are being met. Monitoring gives the Municipality early warnings where performance is not what it should be.

Performance evaluation is conducted at least once per year to assess whether we are doing the right things or not, and whether we are doing the right things right and better or not. The purpose is to determine the overall level of performance of a staff member during a particular year.

Performance target is the planned level of performance or the milestone the Municipality sets for itself for each measure identified. It is a clear statement of intent (expressed as a performance measure) as to how the Municipality aims to improve its performance.

Perspectives provide the balance that we seek in measuring performance. The Municipality's money, time and labor should not only be focused, it should also be balanced across the four perspectives. We must ensure that all four perspectives receive appropriate attention.

Strategic Objectives are the outcomes on a corporate and strategic level that will realize the vision. Accountably for these objectives is set at departmental level.

Vision (*what we want to be*) paints an idealized picture of the future that clarifies the direction it wishes to follow. A vision describes what the future would look like if the goals were all achieved

Chapter 1: Introduction

1.1 Why this document?

Ever since people started paying taxes they wanted to know where their money was going. Modern citizens are also modern consumers, with far greater access to information and to sophisticated services. They want to know how well their public services are working and what they are getting for their taxes. All over the world reporting on the performance of public services has been growing apace. Not every country is doing it and some have adopted very different approaches than others, but there is a clear international trend. Performance reporting in one form or another seems here to stay. In South Africa with our legacy of neglected communities, performance management can make a substantial contribution in shifting the emphasis to improved service delivery to poorer areas. Municipalities are responsible to attend to developmental local government based on the upliftment and development of all our communities. Performance management is the monitoring and evaluation of an organisation (or individuals working for the organisation) against agreed criteria in order to reach goals and objectives. Measurement takes place in line with the organization's vision, mission and strategic goals. Performance management ensures that organizations' are doing their best to meet goals. Whether it is data about strategic, long-term, outcome based goals or short-term efficiency savings, knowing how we are doing is key to trying to do it better.

1.2 Integrated Development Planning and Performance Management

The purpose of this report is to present a system that integrates the Integrated Development Planning process and the Performance Management process in terms of the requirements and provisions of Chapters 5 and 6 of the Municipal Systems Act, 2000 (Act 32 of 2000).

In terms of the Performance Management Guide for Municipalities, DPLG, 2001 (p16) *“the IDP process and 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”*.

Integrated Development Planning was introduced as the strategic management tool to realize the developmental role of local government. Performance management is another management tool introduced to facilitate the implementation of the Integrated Development Plan (IDP), and as such forms an integral part of the IDP.

The needs of the communities that the Municipality serves are growing proportionally larger than the available resources to fulfill those needs. It is thus necessary to make strategic decisions for the optimal use of those scarce and limited resources to ensure the maximum impact in addressing those needs. Whilst the IDP provides a framework for such **strategic decision making**, performance management ensures that the **desired results** are achieved during implementation.

1.3 What are we looking for in a performance management system?

The performance management system for our Municipality is intended to be –

- Seamlessly integrated with the other components of strategic management, i.e. integrated development planning, financial management, project management and organisational management;
- Developed around the specific circumstances of the Municipality;
- Simple and easy to understand;
- Focused and balanced and measuring what it is suppose to measure;
- Realistic and progressive;
- Practical and easy to maintain; and
- Result orientated.

1.4 Our Principles

We believe that the PMS must closely relate to the vision, mission and strategy of the Municipality, and be consistent with the principles enshrined in the preamble of this document. For this to happen, our system will be informed by the following:

- The end result of the PMS must be to improve Municipal as well as individual performance.
- The system must be simple and easy to understand.
- Objectives, expectations and responsibilities must be clearly spelt out in order to achieve success.
- The PMS must produce a reliable picture of Municipal performance.
- Measures must be easily measurable and provide early warning signs in case of underperformance.
- Performance results must be easy to communicate both internally within the organisation and externally to the community.
- The system must be flexible enough to accommodate new and changing priorities and challenges.
- The system must measure organisational as well as individual performance and must lead to guide-lines for better service delivery, career planning and personal development of employees.
- The system must adhere to the Municipal Systems Act, 2000 (Act 32 of 2000).

Chapter 2: Performance Management

2.1 Policy overview and legislative requirements

The Performance Management System (PMS) is informed by the following policy and legislation:

- 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).
- Municipal Planning and Performance Management Regulations (24 August 2001).
- Municipal Finance Management Act, 2003 (Act 56 of 2003)

The **Constitution**, in particular Chapter 7 (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 organizations' in the matters of local government.

The **Batho Pele White Paper** puts forward eight principles for good public service. This document acknowledges and ascribes to these principles.

The **White Paper on Local Government** introduced the practice of performance management to local government as a tool to ensure developmental local government. Performance management further serves to increase the accountability of the Municipality and enhance the trust of the community towards the Municipality.

The **Municipal 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.

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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 councilors 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 –
 - the Council, other political structures, political office bearers and staff of the Municipality; and
 - 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 internally 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.

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, organized 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.

PMS Framework

- The monitoring, measurement and evaluation of performance.
- Internal auditing of performance measurements.
- Community participation in respect of performance management.

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.

2.2 Purpose of performance management

- To satisfy the needs of the community.
- To create a culture of best practice.
- To facilitate increased accountability and continuous improvement.
- To provide early warning signals.
- To assist in developing meaningful intervention mechanisms.
- To develop a skilled workforce.
- To assist managers and departments with managing the implementation of the IDP.
- To identify services to be delivered through alternative mechanisms as required by Section 77 of the Municipal Systems Act, 2000 (Act 32 of 2000).

2.3 Benefits of performance management

- Examining progress towards objectives of the Municipality.
- Improving performance of the organisation and the individuals.
- Identifying current or potential problems.
- Ensuring frequent and ongoing team member - manager communication.
- Linking the objectives of everyone working in the Municipality with the organization's strategic objectives (IDP).

2.4 Elements of the performance management system

The PMS needs to integrate all those processes and systems required to operationalise the IDP. In this regard, the following are critical:

- Clarify performance expectations by setting standards and targets to be achieved for each of the measures to be used in the assessment of performance.
- Monitor, measure, assess and evaluate performance.
- Link all jobs to the strategic priorities and objectives in the IDP and enable staff to understand how their jobs contribute to these.
- Ensure resources are directed and used in efficient, effective and strategic ways by each employee, department and hence the whole Municipality.
- Include communities and other stakeholders in decision-making, monitoring and evaluation of what was achieved and whether it was adequate.
- Learn from experience and use it to continuously improve on service delivery.
- Maintain transparency and accountability and promote good governance.

2.5 Levels of performance measurement

Organizations are made up of individuals. Organisational performance thus cannot exist without concerted and aligned individual performance. Individual output measures must be closely linked to organisational outcomes. Performance measurement for the Municipality will be done on four separate, but interrelated levels of performance which are linked throughout this system:

Level 1: Corporate or organisational level.

On this level the purpose is to measure the organisational success in achieving the strategic and organisational goals through the implementation of the IDP. Measurement on this level is done by testing the level of satisfaction of the people served by the Municipality.

Level 2: Municipal Manager and Senior Management.

Measurement on this level is done in terms of the Performance Agreements and agreed upon measures and targets.

Level 3: Business Units and teams.

Measurement on this level will be done on the basis of units/ teams.

Level 4: Individual employees.

Measurement on this level will be done on an individual basis.

Chapter 3: The Performance Framework

3.1 PMS = Framework + Model

The Municipality must develop, as part of the performance management system (PMS), a **framework** which will deal with the “how” to work with performance information. It will also be developing a **model** which tells it what performance dimensions should be measured and managed. It is a truism that “what can be measured, can be managed” and this applies to the PMS for municipalities. Together these two aspects make up the Municipality’s performance management system. The whole PMS links in clear ways to the Integrated Development Plan, Municipal budget and staff PMS.

Framework: 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 linked to the Municipality’s normal planning (IDP and otherwise) and the annual budgeting cycle. A framework is therefore about “how” the Municipality goes about working with performance information.

Model: A performance management model is a choice about what aspects or dimensions of performance will be measured. Different models give different pictures of performance by emphasizing different aspects to measure. The model that the Municipality chooses (or develops by itself) will influence which measures it decides to use, and how it will group these measures together into areas of performance (efficiency, effectiveness, becoming a learning organisation, customer relationship management, etc.)

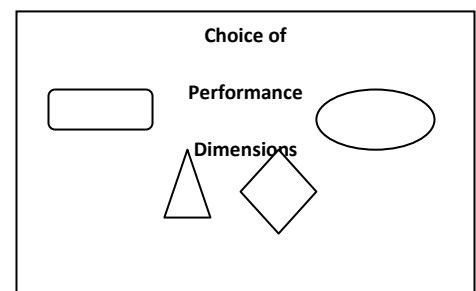
The PMS can therefore be illustrated as follows:

PMS

Framework

Planning (IDP)	X				
Setting measures	X				
Setting targets	X				
Monitoring		X	X	X	X
Auditing		X	X	X	X
Reporting		X	X	X	X
Evaluation					X
Improvement					X

Model



PMS Framework

The performance management framework describes and represents how the Municipality's cycle and processes will be conducted, organized and managed, including determining the roles of the different role-players. Being totally integrated with the IDP, the performance management framework for Metsweding District Municipality follows the following phases:

3.2 Components of the Performance Framework

(a) 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:

Tasks	Stakeholders/ Role-players	Roles & Responsibilities
Developing and sanctioning the PMS process	Executive 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.	
	Councilors	Provide inputs into the process with reference to the needs and requirements of their constituents and the communities

PMS Framework

		Engage with the officials to ensure maximum utilization 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 publicize the schedule of targets to the relevant stakeholders
	Councilors	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 utilization 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 publicized
	Senior managers	Provide inputs into their performance agreements

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		Ensure that the measures and targets of their departments and subordinates are linked with their agreements.
	Executive 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 publicized to the relevant stakeholders.
Information collection, processing and analysis	Councilors	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	Performance Manager	Collect and process relevant and appropriate information from departments.
		Examination, scrutiny and critical analysis of information from departments.
	Audit Committee	Examination, scrutiny and critical analysis and audit 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 the Municipality		
Audit Reporting	Internal Auditor	Provide an independent audit report to the Audit Committee

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	Audit Committee	Provide an independent audit report to the Municipal Manager and the Executive 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 publicized 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 publicize the schedule of revised measures and targets to relevant stakeholders.
	Councilors	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 utilization 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.

(b) 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

Measures and targets from the IDP

The IDP contains locally developed measures and targets for each of the strategic objectives. These measures and targets only measure performance on the overall strategic and organisational level, i.e. the organisational success in achieving the strategic and organisational goals through the implementation of the IDP (see paragraph 2.5(a) above). The more detailed measures and targets that measure performance on the level of the Municipal Manager and senior managers are contained in their performance agreements.

(c) Performance monitoring

Performance monitoring is a process that runs parallel to the implementation of the approved IDP. It is where the Municipality, on an ongoing basis throughout the year, will be carefully watching to see how well it is doing, and whether it is on track to meet its targets. Monitoring helps to identify under-performance at an early stage so that interventions may be introduced. It involves:

- The data that must be collected in order to assess performance;
- how data is to be collected, stored, verified and analyzed;
- how to report on the data;
- corrective measures where under-performance has been identified;
- the comparison of current performance with performance during the previous financial year and baseline measures; and
- how to deal with the Municipality's service delivery and budget implementation plan (SDBIP) in terms of the Municipal Finance Management Act.

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Metsweding District Municipality is in the process of acquiring an automated electronic performance management system to collect, store, verify, analyze and report on performance data. This system should be able to contains -

- IDP data such as community priorities, focus areas, strategic objectives, strategic initiatives and projects;
- Financial data such as three year budgets, sources and types of finance, projected expenditure and actual expenditure to date;
- Project data such as location, responsible department, project teams and schedules with detail activities, milestones and targets over a 12 month period that also shows the actual progress; and
- Performance management data such as measures and targets, baseline and benchmark information, reasons for under-performance and interventions if applicable.

This system would enable the MDM to report on the following reporting requirements:

- Annual Performance Reports
- Monthly & Quarterly Individual Performance Reports
- Quarterly SDBIP Reports
- Annual VUNA Report
- Report on the 7 National KPI's

(d) Auditing

The Municipal Planning and Performance Management Regulations are explicit that

"A municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes".

In term of the Regulations auditing must include assessments of:

- The functionality of the municipality's performance management system;
- whether the Municipality's PMS complies with the Act; and
- the extent to which the Municipality's performance measurements are reliable.

Internal Audit

The Municipality's Internal Audit function will continuously be involved in auditing the performance reports of services and the corporate scorecard. As required by the regulations, they will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager and Audit Committee.

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Audit Committee

The Municipality's Audit Committee must -

- review the quarterly reports submitted to it by Internal Audit;
- review the Municipality's PMS and make recommendations in this regard to Council; and
- at least twice during a financial year submit an audit report to Council.

The composition of the audit committee should ensure that the following competencies are sufficiently catered for within the group:

- An understanding of performance management;
- an understanding of municipal finances;
- an understanding of development, including rural development;
- insight into the municipality's IDP objectives; and
- credibility within all the communities and amongst all the stakeholders.

(e) Reporting

Reporting requires that we take the priorities of the organisation, its performance objectives, measures, targets, measurements and analysis, and present this information in a simple and accessible format, relevant and useful to the specified target group.

The measures have different frequencies of reporting, e.g. annually, quarterly or monthly. This would usually be dependent on the availability of information for the measures. Quarterly reporting is preferable because it would coincide with the Internal Audit's quarterly reports that must be submitted to the Municipal Manager and the Performance Audit Committee.

There must be an end-of-the-year report on the performance of the Municipality in terms of section 46 of the Municipal Systems Act. The results of this report become the baseline measures for the following year and become the basis for setting new targets for the following year of performance.

Metsweding District Municipality are in the process of acquiring an automated electronic performance management system to serve as a database system for all performance reporting, including performance agreements and reports on the service delivery and budget implementation plans. The will also include the audit reports and the above-mentioned annual report.

(f) Performance evaluation

Performance evaluation happens at the end of the financial year after all performance information has been audited. In this process the Municipality carefully analyses its own performance, trying to understand why it has performed well or badly under the circumstances. On the basis of its evaluation the Municipality may decide to change its approach to meeting IDP objectives, change the IDP, revise its targets or change its measures. There are number of ways to conduct performance evaluation, e.g.:

- Compare the current level of performance with that of the previous year, using baseline measures. This assessment is important because you can only know if your performance is improving by comparing with past performances.
- Compare the Municipality's performance with other similar municipalities, other public sector agencies and/or private sector organizations'. This is also important because you can only know that you are doing well relative to others similar to you. This may be done by way of a benchmarking exercise.
- Look at what the community thinks or what their perceptions are about the performance of the Municipality across a range of services. Again this is crucial because you are only as good as the people you serve think you are.

This can be done by means of an annual perception survey in the community and businesses within the municipal area. The findings will than be monitored on a regular basis through annual updates.

This surveys will forms part of the Municipality's endeavor to improve delivery performance and service quality on a continuous basis through performance measurement and benchmarking.

(g) Review and improvement of the PMS

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 Management Team will initiate a review report, taking into account the input provided by departments. This report will then be submitted to the Executive Mayoral Committee for discussion and approval.

Chapter 4: The Performance Management Model

4.1 What is a model?

A model for performance management should provide a set of procedures and functional tools to enable effective implementation of a performance management system. It should tell what aspects of the municipality's performance should be measured and managed.

4.2 What should a model provide?

Models have proved useful in performance management for the following reasons. They provide:

- **Balance**
A good model will ensure balance in how the organisation measures and manages its performance. It should prevent bias by ensuring that performance measurement does not rely heavily on one facet of performance, but should represent a multi-perspective holistic assessment.
- **Simplicity**
A good model should organise simply, what would otherwise be a long list of measures attempting to comprehensively cover performance, into a set of categories sufficiently covering all key areas of performance.
- **Mapping of inter-relationships**
A good model will map out the inter-relationships between different areas of performance. These inter-relationships relate to the extent to which poor performance in one category would lead to poor performance in other related areas and the converse.
- **Alignment to the IDP methodology**
A good model will align the processes of performance to the IDP processes. It will ensure that the IDP translates into performance plans that will be monitored and reviewed. The categories of key performance areas provided by a model should relate directly to the identified priority areas of the IDP.

4.3 The Balanced Scorecard model

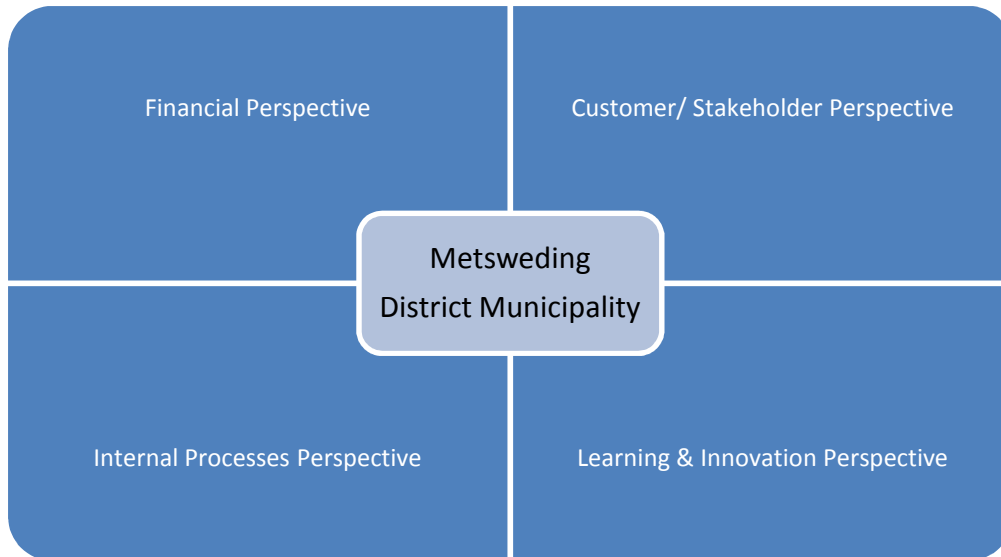
After looking at the underlying principles of systems currently in practice worldwide, it became clear that a PMS based on the principles of an approach called the *Balanced Scorecard* is the only one that will really work for Metsweding District Municipality – where we need to *transform ideals and goals into tangible results*.

The *Balanced Scorecard* is an internationally recognized strategic management tool that translates the strategy of an organisation into terms that can be understood, communicated and acted upon. It provides the understanding, focus and alignment that unlocks and focuses the strategic skills and knowledge of the organisation towards a shared vision.

4.4 About the Balanced Scorecard

The *Balanced Scorecard* focuses primarily on **strategic** issues and will –

- translate an organization's strategy into tangible objectives and measures;
- use four perspectives to ensure a balanced approach, i.e.:



- provide a visual representation of the organisational strategic plan; and
- allow us to measure financial and customer results, operations and organisational capacity.

The *Balanced Scorecard* approach will benefit the Municipality in several ways. It will –

- clarify the vision and mission of the organisation;
- align this vision and mission with customer requirements and day-to-day work;
- help the organisation to become more strategic by narrowing its focus;
- provide strategic information to Council — information they can easily understand and use;
- integrate strategic planning and resource allocation;
- build organisational capacity;
- improve management effectiveness by providing appropriate information for directing change; and
- communicate progress to all the customers and employees.

The *Balanced Scorecard* approach intends to -

- balance both internal and external stakeholder concerns, giving us a much more comprehensive and balanced picture of how we are doing;
- allow us to consider all the important operational measures at the same time, letting us see whether improvement in one area is achieved at the expense of another;
- develop consensus and teamwork throughout the organisation;
- effectively communicate strategic intent, and track performance against established objectives; and
- translate strategy into a clear set of objectives, which are then further translated into a system of performance measures that effectively communicate a powerful, forward-looking, strategic focus to the entire organisation.

4.5 The model is based on two pillars: Focus and balance

Focus

Organisations, now more than ever, are managing relations, knowledge and processes rather than tangible assets and must be enabled to focus and align their executive teams, functional units, human resources, information technology and financial resources with their strategies.

The Strategic Management System provides the “recipe” that enables ingredients already existing in the organisation to be combined for long-term value creation. The recipe corresponds to an organisational strategy that combines internal resources and capabilities to create unique value propositions for targeted customers.

The Strategic Management System provides a framework to describe and communicate strategy in a consistent and insightful way. Through this framework organisations create a common and understandable point of reference for all their functional units and employees. This is done in practice by starting with the *focus areas* as formulated by Council. Focus areas are specific areas on which a greater portion of the annual capital budget will be spent. Our focus areas are:

- Economic Development;
- Housing;
- Social Development and Poverty Relief;
- Health;
- Sustainable Municipal Services; and
- Safety.

Balance

With an emphasis on balance, the *Balanced Scorecard* approach uses four **perspectives** to answer critical service delivery questions:

1. Serving the community

- The ability of the organisation to provide quality service.
- The effectiveness of service delivery.
- Overall community service and satisfaction.

Managers must know if the organisation is meeting community needs. Is the organisation delivering the services that the community wants?

2. Running the organisation

- Internal results that lead to community satisfaction.
- Key processes at which the organisation must excel to meet objectives and community expectations.
- Monitoring of key processes to ensure that outcomes will be satisfactory. Internal processes are the mechanisms through which performance expectations are achieved.

Managers must focus on those critical operations that enable them to satisfy the community. Can the organisation improve upon a service by changing the way a service is delivered?

3. Managing resources

- Success for public organizations' is measured by how effectively and efficiently they meet the needs of their constituencies.

PMS Framework

- The resources perspective emphasizes cost efficiency, i.e. the ability to deliver maximum value to the community.

Managers must focus on how to meet service needs in an efficient manner. Is the service delivered in a manner of value for money?

4. Building institutional capacity

- The ability of employees.
- The quality of information systems.
- The effects of organisational alignment in supporting the accomplishment of organisational goals. Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them.

Is the organisation maintaining technology and employee training for continuous improvement?

To focus on and manage only one of these perspectives encourages sub optimization at the expense of broader organisational goals. The following figure illustrates the required balance between the strategic perspectives:



4.6 What is our strategy?

The overall strategy of Metsweding District Municipality is twofold: we want to implement and make our vision happen (“What we want to be”) while we at the same time align our self with the mission of the Municipality (“Why we exist”). In the development of more specific strategies and objectives it is necessary to make choices and decisions. Formulating strategy means we have to determine to which needs we have to respond and to which we have to respond first.

Strategy is then the result of a process that begins with the examination of the vision, mission, guiding principles and needs of the communities of Metsweding District, as well as the requirements and needs of the officials to make all of this a reality.

It continues through the development of Focus Areas and Strategic Objectives, each with a number of associated specific Strategic Initiatives. Strategy includes knowing what it is that you need to measure to ensure that you stay on the right road.

All of the above aspects of the Strategic Management System are part of the Business Plan (SDBIP) to translate vision, mission, objectives and everything else into actions and actions into outcomes that the community of Metsweding District need. Everything else must contribute to achieve this.

More information on the Municipality's vision, mission and guiding principles as well as the Corporate Scorecard for Metsweding District Municipality that includes the strategic objectives per focus areas and per perspectives is found in the Integrated Development Plan (IDP).