

SETSOTO LOCAL MUNICIPALITY

PROPOSED PERFORMANCE MANAGEMENT POLICY

INTRODUCTION

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 satisfied effectively and efficiently. A key process to bring about the desired change is the development, implementation and maintenance of a performance management system (PMS) for the municipality.

The municipality understands performance management (PM) 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.

NEED FOR THE POLICY

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

A policy regarding PM in the municipality is necessary to ensure that-

- ◆ the financial implications of the PMS and decisions about PM are taken into account
- ◆ the development of a PMS is facilitated and purposeful
- ◆ the PMS is enforceable
- ◆ measurement and evaluation of performance are consistent across the municipality
- ◆ feedback is provided regarding performance.

A PMS 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.

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.

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.

NATURE OF THE POLICY

The policy contained in this document provides a framework-

- ◆ for a uniform approach to PM throughout the municipality; and
- ◆ for defining the roles of different role players in the PMS.

KEY PERFORMANCE AREAS

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

- 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;

- 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;
- institutional transformation, 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;
- municipal finance management, 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;
- democratic governance, which will include all the priorities and objectives of the municipality relating to improving the relationship among the council, administration and community and intergovernmental relations, including mechanisms, processes and procedures for community participation in the affairs of the municipality, during the year in question.

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:

- effectiveness: why a particular service/project/programme (activity) exists and what it seeks to achieve, including access to the benefits of the activity;
- efficiency: the resources committed to a particular activity and how they are turned into outputs;
- economy: the cost of acquiring the resources used to perform a particular activity;
- 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
- 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.

POLICY PRINCIPLES

The municipality’s PMS must-

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

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 PMS 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.

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

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 IDP includes SMART (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 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 IDP 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 PMS is an employee performance appraisal system (EPAS). The municipality will ensure that its EPAS 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 EPAS must assist in determining the reasons for such under performance. The municipality will give reasonable opportunity for employees to improve their performance.

PROCESS OUTLINE

The PMS will be developed according to the following process:

Alignment with integrated development planning process

The PMS and the IDP are interlinked and inseparable from each other. The IDP must enable the municipality to implement a PMS.

Setting key performance indicators (KPIs)

The municipality will, after consultation with community organisations, set appropriate KPIs for each and every objective contained in the IDP. These KPIs will include the general KPIs set by the Minister for Provincial and Local Government. The KPIs 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 IDP.

KPIs will be set for each of the key performance areas determined in terms of this policy. The following types of KPIs 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 KPI 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.

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 KPIs 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 KPIs 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 PMS, whether the PMS 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 PMS 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 PMS, the performance audit committee must focus on economy, efficiency, effectiveness and impact in so far as the KPIs 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 PM 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 like 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.

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 KPIs. 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 KPIs and 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.

- Frequency of measurements.

Measurements must be performed at least twice a year.

Reviewing and evaluating performance

The municipality will, with regard to each development priority and objective in the IDP and against the set KPIs and 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 KPIs and performance targets set by it as well as the general KPIs,
- ▶ review the KPIs set by the municipality and
- ▶ allow the local community to participate in the review process.

Determine under performance and undesirable outcomes

The IDP 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 PMS 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 PMS must clearly identify the any under performance and undesirable results.

Determine reasons

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

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.

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.

FINANCIAL IMPLICATIONS 2008/2009

The financial implications for the current financial year revolve mainly around the development of the PMS and preparation for implementing the PMS with effect from 1 July 2008. Adequate budgetary provision had been made for the relevant expenditure in the budget.

ALIGNMENT OF THE IDP PROCESS AND DEVELOPMENT OF THE PMS

