CHAPTER SEVEN

PERFORMANCE MANAGEMENT

7.1 INTRODUCTION

Integrated development planning enables the achievement of the planning stage of performance management. Performance management then fulfills the implementation, management, monitoring and evaluation of the Integrated Development Plan. The performance of an organization is integrally linked to that of its staff. It is therefore vitally important for any organization to periodically review its own performance as well as that of its employees.

7.2 DEFINITIONS OF KEY PERFORMANCE MANAGEMENT CONCEPTS

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<tr>
<th>CONCEPT</th>
<th>DEFINITION</th>
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<tr>
<td>Performance Management</td>
<td>A strategic approach through which the performance objectives of the Municipality are identified, defined, translated into business plans and cascaded into individual scorecards allowing for regular planning, monitoring, evaluating, and reviewing of performance at both organisational and individual levels, effectively responding to inadequate performance and recognizing outstanding performance;</td>
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<td></td>
<td>It is fundamentally an approach to how work is done and organised rather than a system; all other systems and processes should support or be informed by effective performance management and a focus on continuous improvement of performance.</td>
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<td>Performance Management System (PMS)</td>
<td>A framework that describes and represents how the Municipality's cycle and processes of performance planning, monitoring, measurement review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role-players.</td>
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<td>Key Performance Areas (KPAs)</td>
<td>Service domain that is crucial to achievement of organisational goals.</td>
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<td>Objective</td>
<td>Statement about what outcomes the organisation wishes to achieve.</td>
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<td>Key Performance Indicators (KPIs)</td>
<td>Qualitative and quantitative measures aimed at determining progress towards achieving set objectives.</td>
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<td>Input indicators</td>
<td>An indicator that measures equipment, resources, economy and efficiency.</td>
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<td>Output indicators</td>
<td>An indicator that measures results.</td>
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<td>Outcome indicators</td>
<td>An indicator that measures the impact of reaching the target.</td>
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<td>Impact indicator</td>
<td>An indicator that measures the result of achieving specific outcomes, such as reducing poverty and increasing jobs.</td>
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<td>Key Performance Elements (KPEs)</td>
<td>Goals or key focus areas linked to the identified Key Performance Areas.</td>
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<td>Baseline</td>
<td>The current level of performance that the institution aims to improve. It is the initial step in setting performance targets in most instances would be the level of</td>
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<td>Integrated Development Plan 2006 – 2011 of the Nelson Mandela Bay Metropolitan Municipality</td>
<td>performance recorded in the year prior to the planning period.</td>
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<td>Performance targets</td>
<td>Planned level of performance or milestones an individual or organisation sets to achieve in respect of each indicator identified.</td>
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<td>Target dates</td>
<td>The deadline applied to the performance target.</td>
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<td>Performance plan</td>
<td>Plan of agreed Key Performance Areas, Objectives, Key Performance Indicators and Targets covering a period of twelve months and assessed quarterly.</td>
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<td>Annual performance review cycle</td>
<td>Continuous period of 12 months: 1 July to 30 June of the following year.</td>
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<td>Review</td>
<td>An assessment of employees, directorates and the institution as a whole to monitor progress, resolve problems and adjust performance outputs, as part of the performance cycle. Within an evaluation cycle, four (4) performance reviews/assessments will take place.</td>
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<td>Section 57</td>
<td>Person appointed in terms of Section 57 of the Municipal Systems Act (Act 32 of 2000) (This includes the Municipal Manager and all Executive Directors reporting directly to him/her) and who operate under a performance agreement.</td>
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<tr>
<td>Non-Section 57</td>
<td>All employees not appointed in terms of Section 57 of the Municipal Systems Act (Act 32 of 2000)</td>
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7.3 OBJECTIVES OF PERFORMANCE MANAGEMENT

Performance Management seeks to achieve the following -

(a) To clarify institutional goals and priorities
(b) To ensure a continuous cycle of planning, coaching and feedback
(c) To monitor service delivery – how well an institution is meeting its aims and objectives, which policies and processes are working
(d) To improve service delivery and processes
(e) To provide early warning signals
(f) To enable learning and improvement
(g) To ensure accountability and oversight
(h) To comply with legislation
(i) To promote community participation in local governance
(j) To inculcate a culture of performance amongst employees

7.4 RELATIONSHIP BETWEEN IDP, PMS AND BUDGET

The figure below shows the relationship between the IDP, PMS and the Budget.

FIGURE 9: Relationship between IDP, PMS AND Budget
The IDP is a key strategic planning tool in which the Municipality’s five-year programmes and projects are set out. The IDP programmes and projects inform the Municipality’s budgeting processes. Performance management measures IDP implementation and budget performance.

### 7.5 STEPS IN IMPLEMENTING PMS

The figure below illustrates the steps in the implementation of a PMS.

**Step 1: Planning for performance**

Planning involves the setting of key performance areas, indicators, targets and objectives. Practically, this is done as follows:

**DIAGRAM 2 : Planning State of PMS**
Note A: Key Performance Areas (KPAs)
KPAs are transferred directly from the IDP to the SDBIP, which then form the basis for a PMS, e.g. the provision of water, as shown in Figure 1.

Note B: Objectives
Objectives should be specific, outcome- and impact-focused and should not be general statements, e.g. to ensure that all households in municipal demarcated areas have access to water.

Note C: Key Performance Indicators (KPIs)
The SMART principle should apply with regards to KPIs, which states that each indicator must be:

Specific: Each KPI must be clear and concise.
Measurable: A KPI should not be vague and general, but measurable, e.g. ‘number’, ‘%’ or targets. 
Achievable/Attainable: A KPI should be within reach.
Realistic: Can it be done taking into account constraints?
Timebound: Can it be achieved within a certain timeframe?

Note D: Performance Targets
Performance targets should be realistic and measurable and should correspond with available resources and capacity.

Note E: Integration between ‘organisational’ and ‘individual’ performance management
The organisational scorecard emanates from the upper layer of the institutional SDBIP. These targets are then filtered through to the various directorates, which forms the basis for Section 57 performance contracts. From this level, the KPIs are further filtered down to Sub-Directorates. The process is then cascaded down in the same manner to all levels.
STEP 2: MONITORING PERFORMANCE
Monitoring as a management tool is the observation or verification of project activities to check if they are proceeding according to planning and whether resources are being used efficiently and effectively. A continuous flow of information is therefore key to enhance decision making which, among other things, requires data collection and comparisons to be made. Monitoring produces results to be used for evaluation.

STEP 3: MEASURING PERFORMANCE
To measure performance over the year, quarterly targets are added to the performance scorecard template.

STEP 4: PERFORMANCE EVALUATION
Evaluation is a careful and systematic retrospective assessment of the design, implementation and results of activities. The aim of evaluation is to determine the value of the fulfillment of objectives, efficiency, effectiveness, impact and sustainability.

STEP 5: PERFORMANCE REPORTING
At a managerial/subordinate level, performance should be monitored daily. Organisational performance is reported quarterly, bi-annually and annually. In addition to formal reporting, the political leadership also reports to communities regularly through outreach programmes.
Reporting mandates and recipients are reflected below:

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<tr>
<th>Frequency and nature of report</th>
<th>Mandate</th>
<th>Recipients</th>
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<td>Monthly report on actual revenue targets and spending against budget no later than 10 working days after the end of each month</td>
<td>Section 71 of the MFMA</td>
<td>National Treasury</td>
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</tbody>
</table>
| Quarterly progress report     | Section 41 (1) (e) of the Systems Act, Section 166 (2) (a) (v) and (vii) of the Municipal Management Finance Act (MFMA) and Regulation 7 of Municipal Planning and Performance Management Regulations. | 1. Municipal Manager  
2. Executive Mayor  
3. Mayoral Committee  
4. Audit Committee  
5. National Treasury |
| Mid-year performance assessment (assessment and report due by 25 January each year) | Section 72 of the MFMA.  
Section 13 (2) (a) of Municipal Planning and Performance Management Regulations 2001. | 1. Municipal Manager  
2. Executive Mayor  
3. Mayoral Committee  
4. Council  
5. Audit Committee  
6. National Treasury  
7. Provincial Government |
| Annual report (to be tabled before Council by 31 January (draft and approved / published by 31 March each year) | Sections 121 and 127 of the MFMA, as read with Section 46 of the Systems Act and Section 6 of the Systems Amendment Act. | 1. Executive Mayor  
2. Mayoral Committee  
3. Council  
4. Audit Committee  
5. Auditor-General  
6. National Treasury  
7. Provincial Government  
8. Local Community |