CHAPTER 5: PERFORMANCE MANAGEMENT SYSTEM

5.1   INTRODUCTION

The purpose of this Chapter is to reflect the status quo of the City of Tshwane Metropolitan Municipality (CoT's) Performance Management System.

5.2   BACKGROUND

Chapter 6 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), requires local government to:

- Develop a performance management system.
- Set targets, monitor and review performance based on indicators linked to the Integrated Development Plan (IDP).
- Publish an annual report on performance management for the councillors, staff, the public and other spheres of government.
- Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for local government.
- Conduct an internal audit on performance before tabling the report.
- Have the annual performance report audited by the Auditor-General.
- Involve the community in setting indicators and targets and reviewing municipal performance.

5.3   OVERVIEW OF POLICIES GUIDING PERFORMANCE MANAGEMENT IN THE COT

POLICY FRAMEWORK

On 28 August 2003[1,] the Council adopted a Performance Management Framework regulating the Performance management system in the municipality. The Framework provides guidelines on the development and implementation of the organizational and individual performance management system.   The framework provides the following guidelines on organizational performance management:

Planning for Performance Management

In planning for performance management and in the process of reviewing our policy, we have aimed to ensure that our system complies with all the requirements set out in the Act. Amongst others we are aiming to ensure that we:

- Show how we are going to *operate and manage the system from the **planning stage** up to the stages **of performance review and reporting***;
- Indicate how our various stakeholders and role-players including the community will be included in the implementation and functioning of the system;
- clarify how we will implement the system within the framework of the integrated development planning (IDP) process, including any procedures to be followed;
- Address the matter of how often we will report and to whom; and
- Link the performance management system to how we manage the performance of our employees.

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[1] This policy framework is currently under review

We have integrated seamlessly the IDP and the performance management processes. Through the IDP we plan for performance management, and through performance management we manage, monitor and evaluate the achievement of the IDP.

Priority Setting

Through community consultation and the consultation of other key stakeholders, the IDP process helps to define:

- What the delivery priorities and objectives are. We have aimed to ensure that the objectives are clear, tangible and measurable;
- What transformational initiatives will be undertaken by the institution and how;
- Which projects will be implemented to achieve the delivery priorities and objectives;
- What financial resources will be used to realize the priorities.
- How we will measure the achievement of the objectives through clear indicators. Many of the key performance indicators are prescribed in section 43 of the MSA and must therefore be included in our IDP. They include:

  o The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
  o The percentage of households earning less than R1100 per month with access to free basic services.
  o 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.
  o The number of jobs created through municipality's local economic development initiatives including capital projects.
  o 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.
  o The percentage of a municipality's budget actually spent on implementing its workplace skills plan.
  o Financial viability which looks at debt coverage, outstanding debtors to service revenue, and cost coverage. Each of these areas are expressed by ratios as follows:

Area of financial viability	What it means	Formula we must report against	What does the formula mean?	What the implications are for the City
Debt coverage	How much of money we owe can we pay back, such as loans.	$A = \frac{B - C}{D}$	"A" = debt coverage "B" = total operating revenue received "C" = operating grants "D" = debt service payments (i.e. interest redemption) due within the financial year;	If A is lower than we planned, then it means that we do not have funds to pay loans.
Outstanding service debtors to revenue	How much of money is still owed by the community for water, electricity, waste removal and sanitation compared to how much of money we have	$A = \frac{B}{C}$	"A" = outstanding services debtors to revenue "B" = total outstanding service debtors "C" = annual revenue actually received for services	The less people who pay and the more people who owe impacts on whether we can buy more water for example to provide to the community.

Area of financial viability	What it means	Formula we must report against	What does the formula mean?	What the implications are for the City
	been paid for these services.			
Cost Coverage	How much of money is available to run the city	A= B + C D	"A" = cost coverage "B" = all available cash at a particular time "C" = investments "D" = monthly fixed operating expenditure	If A is lower than we planned, it means that we do not have sufficient funds to run the city. If A is higher than planned, it could mean that we have more cash because we are collecting all owed to us, our investments are doing well, or that projects are not spending their funds.

The CoT reviews its key performance indicators annually as part of the performance review process referred to in regulation 13. This is initiated through the review of the IDP annually, and filters all the way through to the individual performance plans.

Setting Targets

We continuously aim to ensure that our targets comply with the Performance Management Regulations (Chapter 3, Regulation 12). Therefore the targets set in the IDP have to:

- Be practical and realistic;
- Measure how effective and efficient the CoT is, as well as what the impact we are making;
- Clearly indicate who (which department will deliver a target);
- Have corresponding resources, include the budget; and
- Relate to the priorities and objectives for development as in the IDP.

Performance monitoring

Performance monitoring is an ongoing process that runs parallel to the implementation of the approved IDP. Our policy is being reviewed to ensure that the framework :

- Identifies the roles of the different role players in monitoring and measuring the municipality's performance.
- Ensures that specific tasks are allocated to the gathering of data and submission of reports.
- Ensure that procedures are in place to collect, store, verify and analyze data and to produce reports.
- Provides for reporting to the municipal council at least twice a year.
- Is designed in a manner that enables the municipality to detect early under-performance (Organisational and employee [Human Resources] performance management).
- Provides for corrective measures where under-performance has been identified (Organisational and employee [Human Resources] performance management).
- Compares current performance with performance during the previous financial year and baseline indicators.

The Performance Measurement Framework

The Balanced Score Card Model was adopted as the model to be used in the City of Tshwane and is aimed to measure performance using four perspectives, i.e. customer, internal processes, financial, and learning and growth.

In the development of the current City 5-year Programme (5YP) we did not however, use the balanced scorecard methodology (which was approved for the performance management process) as point of departure for our planning process. We therefore do not have KPA's in the various perspectives of the balanced scorecard supporting the achievement of other strategic objectives, e.g. Good governance KPA's invariably link to other strategic objectives.

Conducting Performance Reviews

Performance review is a process where the organization, after measuring its own performance, assesses whether it is doing the right thing by:

- Analysing the information to see whether targets have been met and whether the future targets will be realized.
- Benchmarking to compare the performance of the City with other similar cities.
- Surveys to obtain feedback from the community about their views of the performance of the municipality.

The CoT has to date applied all methods in assessing its performance, and is continuously seeking ways to improve assessment of its performance.

Reporting on Performance

Reporting requires that the municipality takes the priorities of the organization, its performance objectives, indicators, targets, measurements and analysis, and present this information in a simple and accessible format, relevant and useful to the specific target group, for review. The Service Delivery and Budget Implementation Plan (SDBIP) is the basis for our reporting. Generally four reports are submitted per annum to Council.
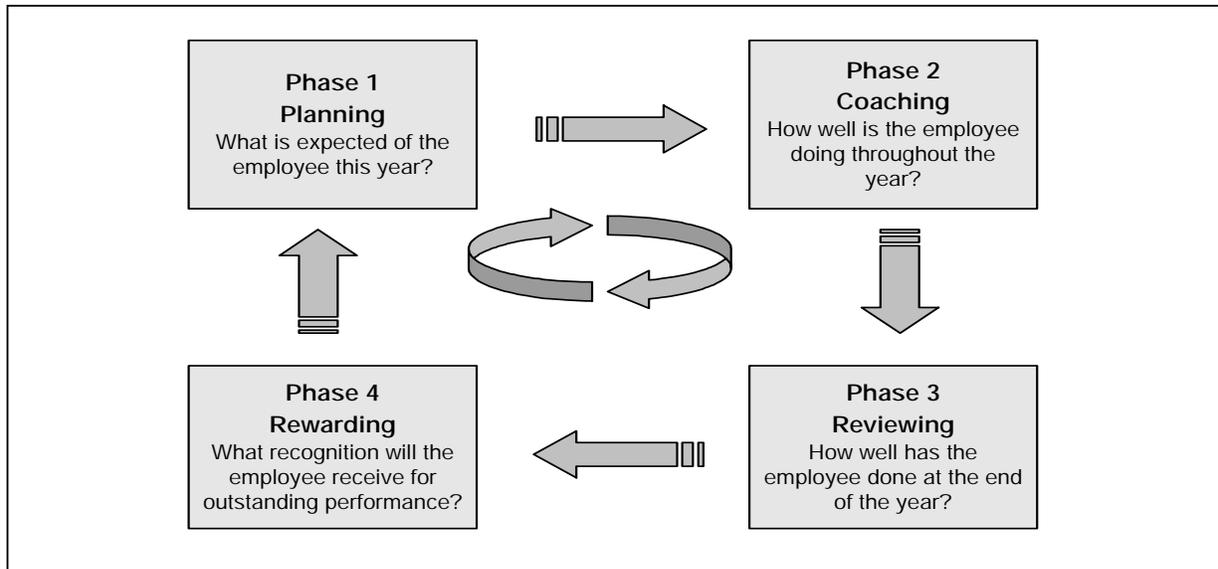
Individual Performance

In order to ensure that the City of Tshwane meets and deliver on its City Scorecards KPA's and KPI's at a high standard, it was appropriate to introduce a performance management system for the individual employees within the City.

The link between organizational performance and individual performance is as follows:

Performance measurement rests on the following two pillars:

- The identification of the selected few strategic objectives/1st level strategic objectives (inclusive of the 7NKPI's) which summarises the performance of the whole organisation and which are the result of focused strategic planning. These objectives are captured in the top down design of the city score card.
- Individual performance measurement which provides the bottom up measurement data for the measurement of performance of 1st level strategic objectives.
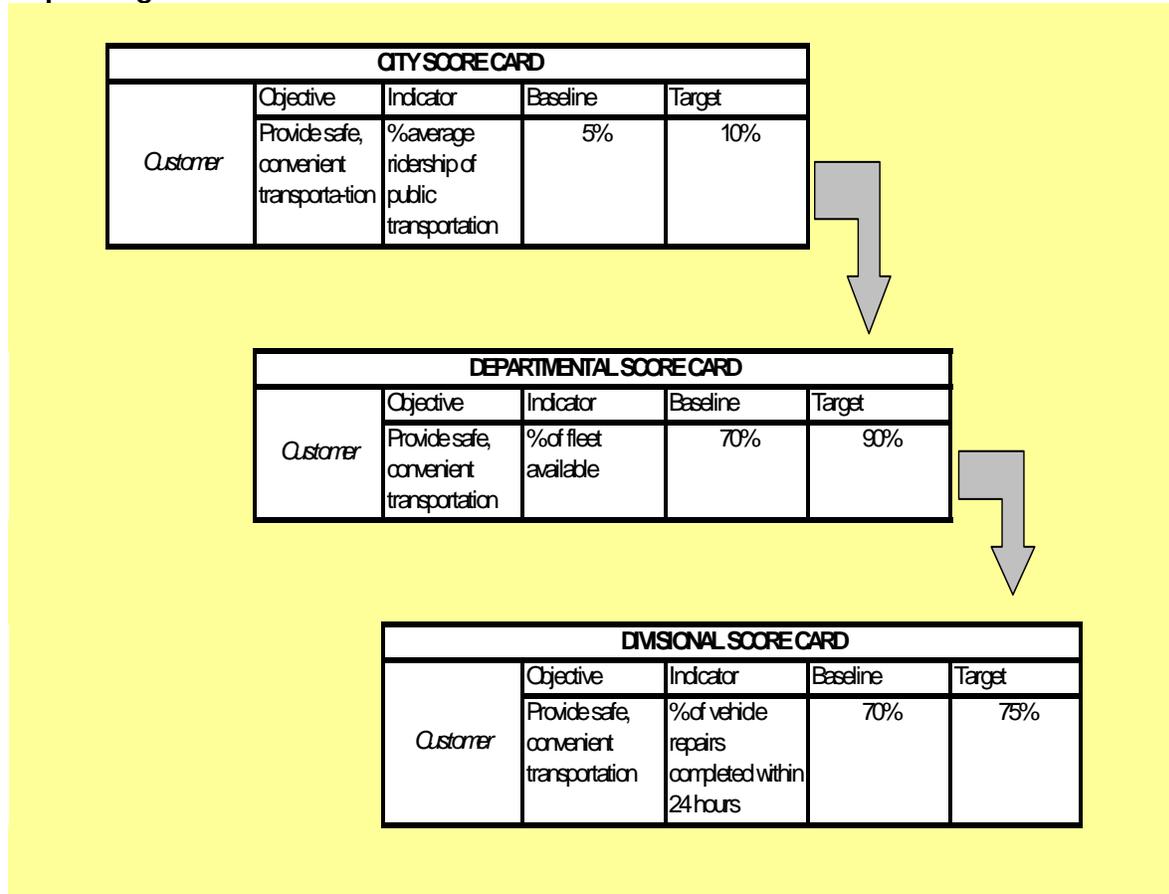
The employee performance management process within the COT involves four key phases (see diagram "Performance cycle" below). The first phase represents the performance agreement between the employee and the employer whilst the next two phases represent the actual performance throughout the year. The templates to be utilised to capture the information as well as additional documents are available as a performance pack. Detailed guidelines for the completion of the templates are provided to employees.

Diagram 5.1: Performance Cycle

PHASE 1 – PERFORMANCE PLANNING

This is about jointly identifying individual performance expectations and gaining the employee's commitment in achieving these expectations. This also entails the identification of KPA's and indicators, the establishment of year-end targets and the planning for the phasing in of the year-end target into quarterly targets (cumulatively and quarterly).

Setting of KPA'S

The identified KPA's must be informed by the KPA's and indicators on the next higher level (see "Unpacking of indicators" for an example hereof).

Unpacking of indicators:

CITY SCORE CARD				
	Objective	Indicator	Baseline	Target
Customer	Provide safe, convenient transporta-tion	%average ridership of public transportation	5%	10%

DEPARTMENTAL SCORE CARD				
	Objective	Indicator	Baseline	Target
Customer	Provide safe, convenient transportation	%of fleet available	70%	90%

DIVISIONAL SCORE CARD				
	Objective	Indicator	Baseline	Target
Customer	Provide safe, convenient transportation	%of vehicle repairs completed within 24 hours	70%	75%

In a service rendering environment, e.g. local government, KPA's, which reflect the addressed needs of the community should be identified first and are also captured first in the score card. Hereafter internal KPA's which support the execution of the former KPA's should be identified. The three types of supportive internal KPA's are as follows:

- Internal business process KPA's, for e.g. "To develop a one integrated transaction process within three years with effect 01.07.2008"
- Financial KPA's, e.g. "To manage the remuneration budget down within reasonable limits within 5 years with effect 01.07.2008"
- Learning and growth KPA's, e.g. "To enhance capacity within 5 years with effect 01.07.2008"

Some generic KPA's and their concomitant indicators have been established. It is expected of Managers and Deputy Manager to include these KPA's (and their indicators) in the score cards.

Setting of appropriate key performance indicators (KPI's)

During the performance management process key performance indicators (KPI's) must be identified for each of the CKPA's. They are statements of measurement in terms of e.g. a percentage, a number, an index or any other recognisable unit. Indicators are used to indicate whether progress is being made in achieving the CKPA's. Indicators should be measurable, simple, precise, relevant, adequate and objective. The choice of an indicator must be guided by the availability of data for its measurement and the capacity to collect it.

Setting of measurable performance targets

Performance targets are the planned level of performance or the milestones an organisation sets for itself for each identified indicator – it is the desired level of service delivery for the current financial year or specified period.

Baseline measurements, which are the measurement of the chosen indicator at the start of the period, must be set. Baseline information defines the status quo. It is important to know how the organisation is performing at the current moment in order to determine, after a period of time, if any positive progress was made. This step also tests whether the chosen indicator is in fact measurable and whether there are any problems. The targets need to be realistic, measurable and be commensurate with available resources and capacity.

The setting of targets entails a two-way communication:

- Politicians need to give clear direction as to the importance of the target and how it will address the public need. Targets should be informed by the development needs of communities and the development priorities of the municipality.
- Line managers need to advise as to what a <u>realistic and achievable</u> commitment for a target is, given the available resources and capacity. Managers will need to advise on seasonal changes and other externalities that should be considered in the process of target setting. There must be clear timelines related to the set targets.

Planning for performance is directly related to resources; therefore performance targets can only be set once the available resources, especially the approved budgets, have been identified. Planning for best performance is therefore directly related to the budget. However, constraints, risks and standards must also be taken into consideration and must be well documented in advance. The documented information must be taken into consideration during the reviewing phase of the performance management cycle.

Weightings and their allocations

COT has adopted a weighting approach to show the relative importance of one input and/or output KPI against another input or output KPI. Every input and/or output KPI in the performance agreement must be assigned a weighting. The total of the weightings on the performance agreement and scorecard must add up to 100 points for respectively the output and input KPI's. An important KPI may, for example, be assigned a weighting of 50 out of the total of 100 whereas a less important KPI may be assigned a weighting of 15 out of 100. The purpose of the weightings is to show employees what the key focus areas are in their work.

PHASE 2 – PERFORMANCE COACHING

This is the phase of continuously tracking and improving performance, through feedback and reinforcement of key results and competencies. This is done with a view to timely detect performance relapses and to simultaneously introduce speedy remedial actions. A prescribed record sheet is used to record evidence and remedies.

During this phase, on a quarterly basis, the actual performance must be determined and be judged against the quarterly obligation as well as the cumulative performance as well as other standards that have been set in advance. During this phase it is also important to document any evidence proving performance.

Although actual measurements are done each quarter, formal coaching only has to be done half yearly provided the documented performance in the first and third quarter is satisfactory.

PHASE 3 - REVIEWING

This phase involves jointly assessing actual performance against expectations at the end of the performance cycle to review and document planned vs. actual performance.

The following guidelines are applicable for conducting a performance review:

- Manager/supervisor to prepare ratings of employee's performance against key performance indicators. The rating is done by considering the year end actual cumulative as well, the evidence which were documented during the coaching cycle as well as any other relevant input[2]. For an exposition of the five points scale and set criteria see the glossary of terms.
- Manager/supervisor to ask employee to prepare for formal appraisal by rating him/herself against the agreed key performance indicator.
- Manager/supervisor and employee to meet to conduct a formal performance rating with a view to conclude a final rating. The employee may request time to consider the rating. A second meeting may then be evident. In the event of a disagreement, the manager/supervisor has the final say with regard to the final rating that is given.
- After the ratings have been agreed upon the scores are calculated.
- The manager/supervisor should make his/her own notes during the formal review meeting. All the criteria that has been specified must be taken into consideration
- Only those KPI's relevant for the review period in question should be rated according to a five point scale.
- After the year-end review only do the manager/supervisor and employee prepare and agree on an individual learning plan.
- The setting of new key performance areas which will link up to the COT KPA's and the identification of the concomitants indicators for the next financial year needs to be concluded by the end of June of the current year. However the identification of KPA's forthcoming from the learning plans and the setting of targets, weights and dates can only be done after, the year-end review has been concluded.

The total score is determined once all the output and input KPI's have been rated and scored. This is done with a view to establish if an employee is entitled to a notch increase or an accelerated salary progression or a non-financial award.

Should an employee not be achieving the KPA's in his/her performance agreement the manager/supervisor should assist the employee by managing his/her performance more closely. It is not appropriate that the first time an employee hears about his/her non-performance is at the formal performance review. Employees must be coached and given feedback throughout the year.

PHASE 4 - REWARDING

This phase establishes the link between performance and reward. It aims to direct and reinforce effective work behaviors by determining and allocating equitable and appropriate rewards to employees.

Permanent employees will initially be awarded non-financial rewards for good performance. Ultimately financial rewards will be determined through the National Collective Bargaining process at South African Local Government Bargaining Council (SALGBC).

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[2] At a later stage 180° and 360° reviews may be implemented, in which case Manager/supervisor may request inputs from "customers" on the employee's performance throughout the review period. This may be done through discussion or by asking "customers" to complete a rating form to submit to the manager/supervisor for consideration. Customers are people who are able to comment on the employee's performance since they have worked closely with him/her on some or all aspects of his/her job.

The guiding principles regarding non-financial rewards are discussed in detail in the Collective Agreement on Non-Financial Rewards.

To ensure the above the following policies were adopted:

- Performance management policy and procedure
- Policy for the management of poor work performance
- Performance reward scheme
- Non-financial rewards for permanent employees;
- Remuneration policy

5.4   CHALLENGES

POLICY FRAMEWORK

The City of Tshwane acknowledges[3] that there is a link between organizational performance management and individual performance management and illustrates it as per the diagram below:

Diagram 5.4: Organizational and Individual Performance Management Link
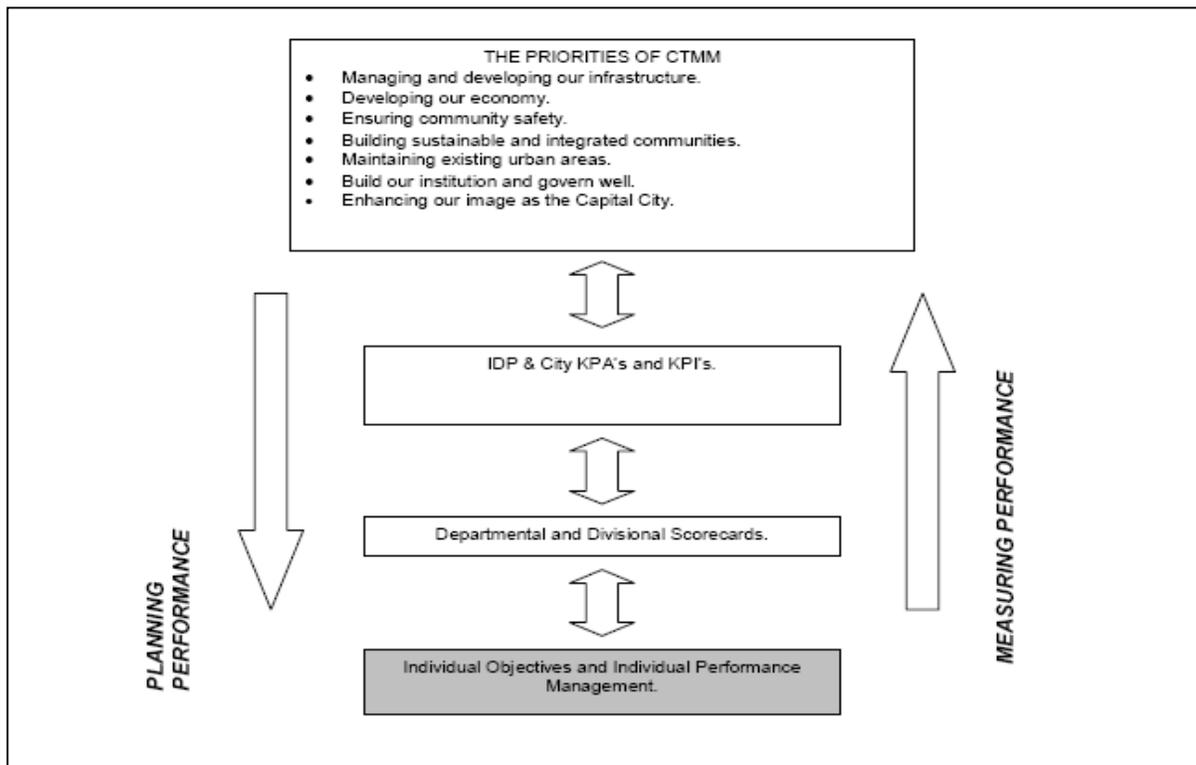
The systems and processes are however not supportive of dealing sufficiently with the management assumptions made in unpacking organizational performance into individual performance.   To assist in this regard the City Manager has established a Performance Management Steering committee to oversee process integration of the performance management system.

This committee will as a point of departure update the performance management policy and procedure to allow for changes in the IDP as well as new individual performance management regulations published in 2006 by the Department of Local Government in August 2006.

Furthermore, it has been difficult to determine key performance indicators for all our strategic objectives. Not all our indicators are as measurable as we would like. This has created a challenge in aligning fully our performance management process with the IDP process. Monitoring and evaluation is therefore still challenging.

The following is still being improved in planning processes:

- Integration of developmental targets with core business, e.g. the training of women and youth whilst delivering capital projects for infrastructure.
- Understanding and managing the setting of priorities for the various financial years in the MTEF and their KPI's in the context of the 5 year term of the IDP, i.e. managing the context of inputs and the underlying assumptions of the inputs will achieve through processes on the output level.

There is a need to report achievement against a "fixed" target as opposed to the city's administrative reality of moving targets – this is best explained against an indicator such as % of households with access to basic or higher levels of service (NKPI). The households in a city are not static and are continually increasing – therefore within a restricted resource allocation towards service delivery, it might look as if eradication of service delivery backlogs is slow – however the backlog might be growing as a result of unplanned for growth due to migration etc. When the number of households is annually increased as per growth figures, it creates tension on the reporting side.

Targets are set in line with the established need in departmental business plans, which are to be included in the IDP. When the budget is however finalized, the resource requests are not granted due to budgetary constraints – the impact of this is that sometimes the targets are not changed in the IDP.

The City of Tshwane performance management policy, currently only makes provision for the review of individual performance and not for the review of organizational performance, which is why the policy is being reviewed at the moment.

The municipality has a number of challenges in developing a monitoring framework:

- The current systems does not allow for the non-financial planning of initiatives – i.e. for developmental initiatives e.g. improving community skills, or focusing on target groups such as the youth or women
  o There are no city level databases of all women, or youth or disabled
- The monitoring has to include ability to report on not only the city's priorities but also on National KPI's or provincial indicators. This becomes challenging when the city has a priority to support people receiving an income of R1700 or less as indigents whereas the national regulations make provision for R1100 – and reporting on the people that the City is supporting is therefore narrower than required.