

Performance Management Reviews at financial year-end: practical measures to get the best out of the process and improve future performance

by Albert de Klerk, Annette van Schalkwyk and Elmar Wassermann - Altimax



“Performance Management starts from the top by tailoring strategies which can be translated into meaningful targets and trickles down to managers for setting goals and making this process effective by helping them understand the big picture and owning up careers of their team members.” - Colin Mendes, General Manager – HR & Administration at Voltas Beko

INTRODUCTION

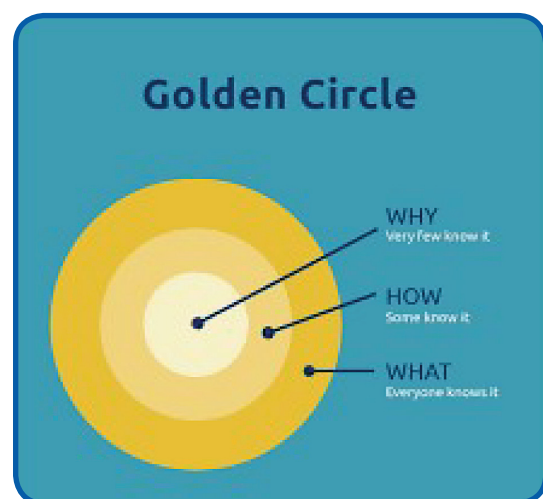
Municipalities have the responsibility to engage with their communities and ensure services are rendered to those within their boundaries. This requirement is not new and was required since the inception of Local Government with the promulgation of the Systems Act of 2000. The municipality's Integrated Development Plan (IDP) sets out the municipality's policy priorities, programmes and project plans for a five-year period, as approved by council after engaging with communities, within the scope of available municipal resources. The IDP focuses on strategic outcome-oriented goals for the municipality and objectives for each of its main service-delivery areas aligned to its budget programmes. The IDP and goals are cascaded to the municipal entities to ensure alignment of goals. The IDP, therefore, sets the basis for the performance of the municipality and, if implemented properly, should ensure that the needs of the community are met. Sadly, this result is rarely if ever, achieved as is evident from the ongoing service delivery protests. Could the lack of proper performance management reviews be a contributing factor to the ongoing poor delivery of municipal services?

The golden circle of reporting – IDP – Budget and Service Delivery Budget Implementation Plan (SDBIP) – Performance Reporting

But how does a municipality ensure that the IDP is implemented to achieve the goals and objectives as agreed with the community

and how can the proper review of annual performance contribute to the success of the municipality?

The Golden Circle is a concept developed by Simon Sinek who says, “people don't buy what you do, they buy why you do it.” According to Sinek, most people communicate by starting with the “what” they do aspect and eventually work their way back to talk about “how” and “why” they do what they do.



Strategic planning and performance reporting work in the same way. The responsibility for the operations of the municipality is anchored in the Councillors and Executive Management, but everything starts and ends with the community as they provide the mandate to the municipal leadership for the five-year year

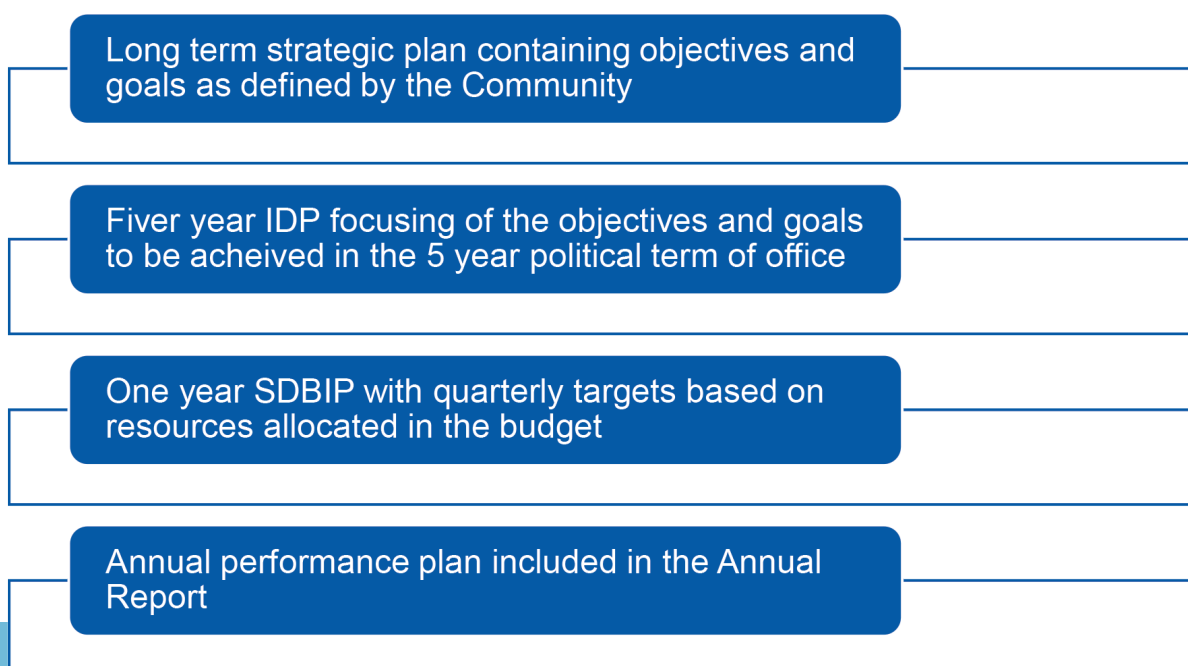
IDP term – the municipal leadership needs to understand this mandate as it forms the WHY in the golden circle. If this mandate is not executed, the community will surely not renew the mandate (by voting for a different political leadership) or will revert to service delivery protests. The WHY is represented by the outcome and impact in performance management terminology. Let us use housing as an example. The community, through the IDP process, expresses the need for integrated human settlements and, by voting for the political leadership, gives the mandate for the existence of the municipality for the next five years – TO PROVIDE SUSTAINABLE HUMAN SETTLEMENTS.

The next step is HOW. This is represented by OUTPUTS which finds its way into the SDBIP. The municipal leadership (both political and administrative) must now plan how the integrated human settlements will be provided. The following goals may be set:

1. Construction of 5 000 housing units over the 5 years;
2. Provision of municipal infrastructure to service the 5 000 housing units (i.e. water, sanitation, roads, etc.);
3. Construction of 2 clinics to ensure the health of the residents within the new residential area; and
4. Construction of a multi-purpose community centre, inclusive of a library and an indoor sports centre.

The implementation of these projects will ensure the achievement of the IDP objective of providing sustainable human settlements. These goals must be funded in the Budget and targets set for the implementation of the various projects in the SDBIP. In practice, the INPUTS required for the achievement of the OUTPUTS as indicated above must be funded over the five year budget period in the budget and the OUTPUTS must be defined in the annual SDBIP for each of the five years of the IDP term.

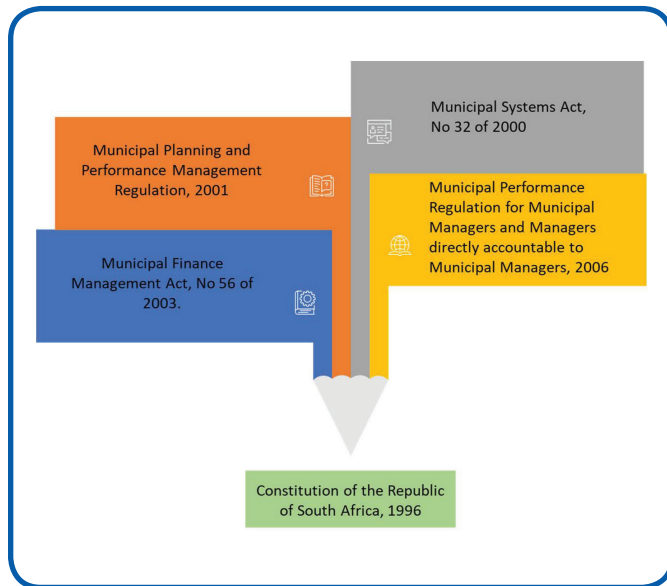
The last layer is the WHAT – what must be done by whom and when? This last, and very important link, will take the OUTPUTS from the SDBIP and define the ACTIONS required to be implemented by the various staff members in the municipality and these must be documented in the annual performance plan for each senior manager and cascaded to all staff members. The performance management system is critical to inform stakeholders how the municipality has performed in the implementation of the IDP. At the end of the cycle, the performance of BOTH the municipality and the individuals are assessed.



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The performance framework is based on, and must be aligned to, the following legislative framework:



The Local Government: Municipal Planning and Performance Management Regulations, 2001 put all the aspects together and states that:

"A municipality's performance management system entails 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, organised and managed, including determining the roles of the different role players."

Practical measures to improve performance reporting and review at year-end to get the best out of the process

The theoretic process was outlined above, and most practitioners understand the process very well, but still struggle with the practical implementation. This article intends to simplify a few critical processes that will improve the process to a great extent. As the old saying goes: how does one eat an elephant? ... bit by bit. The same applies to the performance management process. To establish a sustainable human settlement is a mammoth task – but to buy bricks is fairly simple ... so, state the actions clearly and simply so that each manager and staff member know exactly what is required and that the achievement of those targets can be easily monitored.

The **first step** will be to compile a performance policy and procedure manual that defines the process. The procedure manual should include Standard Operating Procedures (SOPs) with detailed actions on the performance information process.

There are multiple benefits to documented SOPs:

- Serves as a training tool for new employees to understand the business procedures
- Assists with internal control development as the process is visually unpacked so that risk areas can be identified
- Supports the internal and external auditors in evaluating the legislative compliance
- Serves as a quick reference guide to staff members not working on the process frequently.

The **second step** is the identification of a set of key performance indicators (KPIs) that will support the achievement of the strategic objectives. These indicators should reflect equity concerns and value for money in the use of resources.

Suitable indicators need to be specified to measure performance to inputs, activities, outputs, outcomes and impacts. The performance indicators developed should have the following characteristics:

- **Reliable:** The indicator should be accurate enough for its intended use and respond to changes in the level of performance.
- **Well-defined:** The indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.
- **Verifiable:** It should be possible to validate the processes and systems that produce the indicator.
- **Cost-effective:** The usefulness of the indicator should justify the cost of collecting the data.
- **Appropriate:** The indicator should avoid unintended consequences and encourage service delivery improvements, and not give managers incentives to carry out activities simply to meet a particular target.
- **Relevant:** The indicator should relate logically and directly to an aspect of the institution's mandate, and the realisation of strategic goals and objectives.

The **third step** is setting baselines and targets. The municipality must include the baseline in respect of each strategic objective and programme performance indicator. In most instances, the baseline is the level of performance recorded in the year before the planning period.


This will assist the municipality to evaluate targets to ensure they are realistic and achievable.

The **fourth step** is the development of Technical Indicator Descriptions (TIDs) or SOPs for each KPI in the SDBIP. The minimum information required for the TIDs are:

- **Key performance indicator number** – is the unique number for each performance indicator in the SDBIP
- **Indicator title** – title of the indicator verbatim as given in the SDBIP
- **Definition** - meaning of the indicator and an explanation of technical terms used in the indicator
- **Source of data** - where the information is collected from
- **Method of calculation or assessment** - how performance is calculated (quantitative) and how performance is assessed (qualitative)
- **Means of verification** – how the information is going to be verified
- **Assumptions** - factors accepted as true and certain to happen without proof
- **Disaggregation of beneficiaries** - a target for women, a target for youth and a target for people with disabilities (where appropriate)
- **Calculation type** - cumulative (year-end), cumulative (year-to-date) or non-cumulative
- **Reporting cycle** - quarterly, bi-annually or annually
- **Desired performance** - information about whether performance that is higher or lower than targeted performance is desirable
- **Outcome/Impact** – indicates what the municipality wishes to achieve and aim to change, and
- **Indicator responsibility** - who is responsible for managing or reporting on the indicator.

AN EXAMPLE OF A TID

KPI TECHNICAL INDICATOR DESCRIPTION

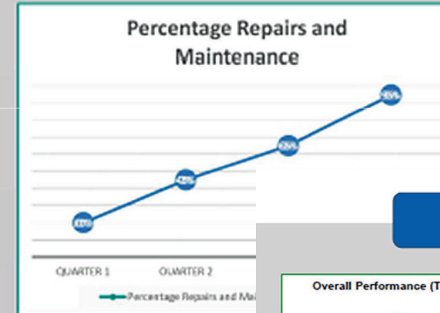
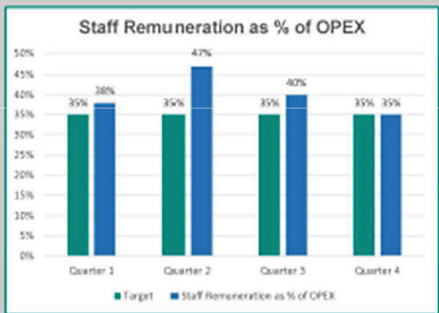
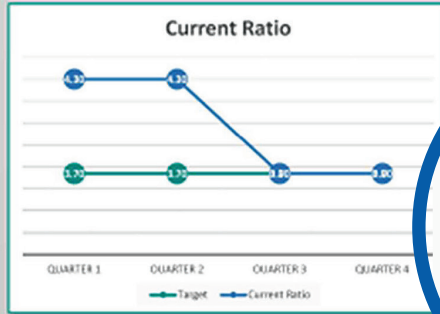
KEY PERFORMANCE INDICATOR NUMBER
 KPI 1.1a
INDICATOR TITLE
Percentage compliance with water quality standard South African National Standards (SANS) 241 Class 1 and Class 2, in terms of Health: Acute
DEFINITION
SANS 241 specifies the quality of acceptable drinking water which is classified in 4 categories being health (acute or chronic), aesthetic and operational
SOURCE OF DATA
SANS 241 report
METHOD OF CALCULATION OR ASSESSMENT
Confirm if the performance for all four categories are > 98% as per the SANS report
MEANS OF VERIFICATION
Copy of SANS report with actual performance to be maintained in the POE file as the MOV
ASSUMPTIONS
Availability of the latest SANS report
DISAGGREGATION OF BENEFICIARIES (WHERE APPLICABLE)
N/A
CALCULATION TYPE
No calculation required - data as at reporting date
REPORTING CYCLE
1 July 2019 - 30 June 2020
DESIRED PERFORMANCE
98.00%
OUTCOME / IMPACT
Organisational efficiency and effectiveness: Improved water quality standards leading to improved health of community members
INDICATOR RESPONSIBILITY
HOD: Infrastructure

The **last step** discussed in this article is to measure the actual performance against the targets. Keep your eye on the goal all the time – the WHY- if any of these indicators are not met, the main objectives will not be met. Once you are left with outstanding and incomplete performance targets, it will be very difficult to catch up.

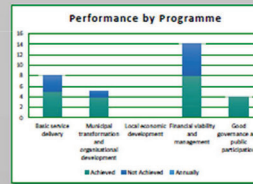
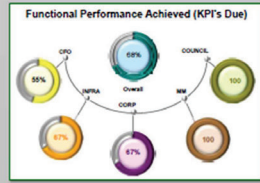
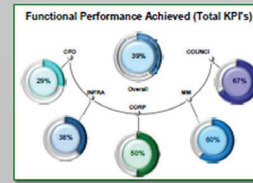
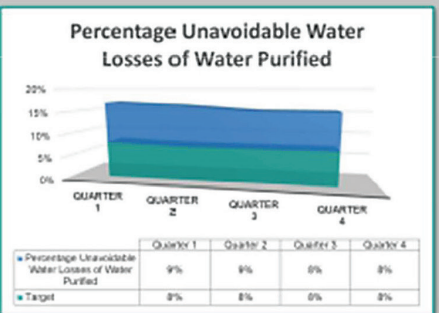
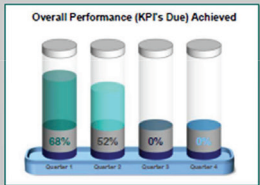
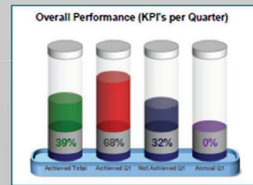
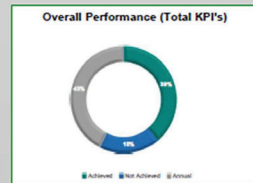
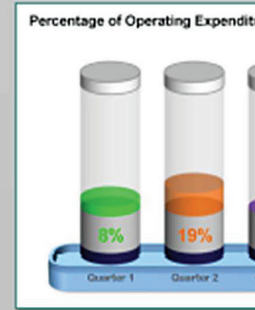
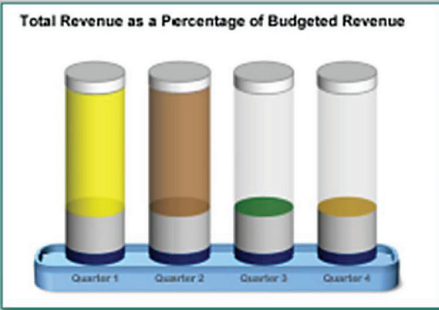
A quarterly tracking system is recommended where the actual performance is evaluated on an ongoing basis so that early warning signals of poor performance can trigger the appropriate corrective action. The municipality can invest in highly sophisticated IT systems, or use Excel based dashboards as illustrated below to ensure the Accounting Officer is at all times aware of the progress made in the implementation of the SDBIP.

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**Performance Dashboard
 Financial Indicators
 Quarter 1**



**Performance Dashboard
 Quarter 1**



Conclusion

The evaluation of performance and the achievement of quarterly and annual targets are the cornerstone of the achievement of outputs, outcomes and impacts which eventually lead to the achievement of the objectives set in the IDP – the very reason for the existence of municipalities. **C**

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