

Performance management





CHAPTER

7

The Performance Management System (PMS) is one of the mechanisms through which the City aims to improve organisational and individual performance to enhance service delivery. The PMS was originally designed in June 2001 and subsequently revised to respond to the experience of implementation, legislative requirements and other imperatives.

Legislative framework for performance management

Legislation that governs performance management in local government includes the Municipal Systems Act, 32 of 2000 (MSA), the Municipal Planning and Performance Management Regulations, 2001 (MPPMR), the Municipal Finance Management Act, 53 of 2003 (MFMA) and the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006.

Municipal Systems Act, 32 of 2000

The MSA requires all municipalities to promote a culture of performance through the establishment of a PMS, which must set key performance indicators and targets, as well as monitor, review and report on municipal performance, based on indicators linked to the Integrated Development Plan (IDP), including the national indicators prescribed by the Minister responsible for Local Government.

Municipal Planning and Performance Management Regulations, 2001

In 2001, the Minister of Provincial and Local Government published the MPPMR, which require a municipality to ensure that its PMS complies with the requirements of the MSA, demonstrate the operation and management of the PMS, clarify roles and responsibilities, as well as ensure alignment with employee performance management and the IDP processes.

Municipal Finance Management Act, 56 of 2003 (MFMA)

The MFMA requires the Mayor to ensure that the performance agreements of Section 57 employees comply with the requirements of the MSA to promote sound financial management and are linked to measurable performance objectives, approved with the budget and included in the Service Delivery and Budget Implementation Plan (SDBIP).

Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006

In August 2006, the Department of Provincial and Local Government promulgated Regulations for Section 57 managers, by setting out how the performance of municipal managers and their direct reports has to be planned, reviewed, improved and rewarded. The regulations provide for the conclusion of performance agreements and personal development plans.

Performance Management Framework

The PMS is the primary mechanism to monitor, review and improve the implementation of the IDP and to assess the progress made in achieving the objectives set out in the IDP. It is an integrated approach that links citywide to individual level performance management. The City's IDP informs the development of key areas of performance and targets across the performance levels. The key performance areas and indicators of performance, contained in the organisational scorecard, are cascaded into departmental and municipal entity scorecards, as well as into individual scorecards. This ensures the appropriate alignment between organisational and individual performance. Performance management therefore forms part of a strategic management approach to ensure integration with the city strategy, planning and budgeting. The approach enables the City to improve planning and budgeting, effectively monitor and measure performance to enable transparent and convincing reporting on achievements. As such, the City's organisational PMS facilitates increased accountability, learning, improvement and decision-making.

Implementation of the Performance Management System

The PMS is implemented to reflect the relationship between organisational and individual performance. At the level of the organisation it entails the translation of the IDP and sector plans, as derived from the Growth and Development Strategy, into the Service Delivery and Budget Implementation Plan (SDBIP) or city scorecard. The City Manager is the custodian of the city scorecard and agrees with the Executive Mayor, as representative of the Employer, on the delivery aspects of the scorecard. The Performance Audit Committee (PAC) reviews the performance of the City Manager in implementing the organisational or city scorecard. Organisational performance is monitored through assessment of progress on the implementation of the city scorecard and reported on a quarterly basis through SDBIP reports. The quarterly SDBIP reports are consolidated to inform the City's annual performance report for submission to the Auditor-General, the MEC for Local Government and other relevant stakeholders as legislated by the MSA.

The departmental business plans create linkages between organisational and individual performance. The business plans are derived from the sector plans and inform the development of the Executive Directors' (Section 57 employees) scorecards, which are an endorsement of the City Manager's scorecard. All the Section 57 employees sign performance agreements for the financial year, as required by the MSA. The signing of performance agreements and the development of scorecards are elements of performance planning, which is part of the City's PMS cycle that covers performance planning, coaching, reviewing and rewarding stages.

The individual scorecards include strategic performance objectives, key performance areas and indicators and targets for which the Section 57 employees are responsible. The Executive Directors, in collaboration with the City Manager, develop the delivery content of their scorecards. During implementation the City Manager frequently conducts coaching sessions with the individual Executive Directors to identify areas of performance weaknesses requiring development and support. Personal development plans, in support of the incumbent, are developed and agreed upon for implementation.

Progress on the implementation of the individual scorecards is assessed and monitored on a quarterly basis, using a five-point rating scale, ranging performance from unacceptable to outstanding. This forms part of the performance reviewing stage in the PMS cycle. The City Manager conducts one-on-one performance assessment sessions with the Executive Directors. The PAC further moderates the assessment results of the Executive Directors and recommends the final ratings to the Mayoral Committee. Individual performance is monitored and reported on, on a quarterly basis through the action-driven balanced scorecard reports, which inform departmental quarterly reports based on the implementation of the business plans.

The rewarding stage of the PMS cycle involves the payment of performance bonuses in recognition of outstanding performance, or the correction of unacceptable performance through intensified personal development plans. The payment of performance bonuses for Section 57 employees occurs after the tabling of the annual report to ensure consistency between individual performance and the reported organisational achievements.

Challenges with the implementation of the Performance Management System

The changing nature of the performance management environment requires continuous revision of the PMS to ensure relevance and effectiveness. In response, the City has to introduce new aspects into the system to ensure consistency with the changes, including legislative compliance requirements.

Core Competency Requirements

The 2006 Municipal Performance Regulations for Section 57 managers prescribe the criteria for assessing employee performance, based on two components, namely the Key Performance Areas (KPAs) and Core Competency Requirements (CCRs). The KPAs account for eighty percent of the final assessment, while the CCRs make up twenty percent. The City is in a process of ensuring that the CCRs are incorporated into the Section 57 employee scorecards for 2009/10 and exploring mechanisms and criteria for their assessment, such as the 360 degree feedback, customer satisfaction survey etc.

Evaluation Panel

The 2006 Municipal Performance Regulations for Section 57 employees further prescribe the establishment of an evaluation panel to evaluate the performance of all the Section 57 employees, including the City Manager. This entails approving the final performance ratings, based on the Performance Audit Committee's recommendations. The City is currently developing terms of reference for the establishment of the Evaluation Panel.

Performance management for Municipal Entities

The institutional arrangements within the City of Joburg consist of the core municipal administration, made up of the various departments, as well as the MEs, acting as the City's service delivery agents, in the form of Section 21 companies. The MEs are headed by chief executive officers or managing directors, who report to their respective boards of directors and ultimately accountable to the Executive Mayor as the shareholder. The City is in the process of ensuring that the performance management systems and practices within MEs are aligned with those of the core departments.

Roles and responsibilities related to the PMS

Regulation 7(2)(c) of the MPPMR requires municipalities to clarify the roles and responsibilities of each role player, including the local community, in the functioning of the PMS. In the City these roles are defined as described below.

Johannesburg Risk Audit Services (Internal Audit)

Johannesburg Risk Audit Services play an internal performance auditing role, which includes monitoring the functioning of the PMS and compliance to legislative requirements. The internal audit role also involves assistance in validating the evidence provided by Executive Directors in support of their performance achievements.

Performance Audit Committee

The committee monitors the quality and integrity of the performance management system, to ensure equity and consistency in the application of evaluation norms and standards. The committee further provides impartial recommendations on performance ratings to the Mayoral Committee, following the completion of objective appraisals.

Evaluation Panel

The Evaluation Panel evaluates the performance of Section 57 employees, including the City Manager's performance, through approval of their final performance ratings, based on the Performance Audit Committee's recommendations.

Executive Mayor and Members of the Mayoral Committee

The Executive Mayor and the Members of the Mayoral Committee manage the development of the municipal PMS and oversee the performance of the City Manager and the Heads of Department.

Council and Section 79 Committees

The Council and the Section 79 Committees play an oversight role and consider reports from the Mayoral Committee on the functioning of different portfolios and the impact on the overall objectives and performance of the municipality.

Community

The community plays a role in the PMS through the annual IDP consultation processes, which are managed by the Office of the Speaker, working in close collaboration with the Central Strategy Unit.

Response to the 2007/08 findings of the Auditor-General

The following table shows the findings of the Auditor-General on the City's PMS for the 2007/08 financial year. The table also details the City's comments and action plan in response to the findings.

Table 1: The 2007/08 findings of the Auditor-General

AG's comments	CoJ comments	Actions to be taken
Issue No 1: Inconsistent reporting of information		
Municipal circular No. 11, issued on 14 January 2005, page 2 paragraph 1 states: "requires that the annual reports must be aligned with the planning documents and the municipal budget for the year reported on to facilitate easy understanding and to enable the linkage between the plans and the actual performance". Contrary to this requirement, even though the Annual Performance Report and the Integrated Development Plan (IDP) were aligned, the municipality's performance planning documents (Budget and Service Delivery and Budget Implementation Plan (SDBIP)) did not include the predetermined performance objectives as stated in the IDP.	The issue was first identified in the 2006/07 performance audit. Since the 2007/08 IDP and SDBIP were already approved at the time of the audit, it was impossible to retrospectively amend the IDP and the SDBIP to ensure compliance for the 2007/08 Annual Report. However, the 2008/09 IDP/SDBIP approved in May/June 2008 are fully compliant and the amendments will be reflected in the 2008/09 Annual Report.	The 2008/09 IDP/SDBIP, approved in May/June 2008, are fully compliant and the amendments will be reflected in the 2008/09 Annual Report.
Issue No 2: Performance agreements not signed timeously		
Inspection of the performance agreements for the 2007/08 financial year indicated that some performance agreements were not signed within one month after the beginning of the financial year, i.e. before 31 July 2007 as prescribed by the MSA and the Regulations.	Agree to the audit finding and will ensure that performance agreements and scorecards for all senior managers and staff are signed timeously.	The 2008/09 performance agreement and scorecards for all Section 57 employees were signed timeously (31 July 2008).

AG's comments	CoJ comments	Actions to be taken
Issue No 3: Variances between planned and actual performance results		
There were various instances where there were significant variances between planned and actual performance results.	The annual report will be updated accordingly to include explanations on major variances.	Update annual report to include explanations on major variances.
Issue No 4: Internal audit function		
<p>Regulation 14(1)(c) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 requires that the municipality's internal auditors must:</p> <ul style="list-style-type: none"> Continually audit the performance measurement of the municipality; and Submit quarterly reports on their audits to the municipal manager and performance audit committee. <p>Even though internal audit conducted performance audit after financial year-end, the audit was not conducted continuously during the year.</p>	<p>Agree with the audit finding. A detailed process plan is to be developed to guide performance auditing within the City on a continuous basis and capacitating of internal audit will be prioritised.</p>	<p>A detailed process plan is to be developed to guide performance auditing within the City on a continuous basis and capacitating of internal audit to will be prioritised.</p>
Issue No 5: Actuals don't agree with source documents		
<p>Issue 5.1 The evidence provided to support the performance information reported in the annual report was materially inconsistent with the ADBS Report and Evidence Checklist from Housing.</p>	<p>Issue 5.1 Agree with the audit finding. However, the source document used by the City to review and monitor performance is the ADBS report and not the checklist. Upon the inspection of evidence the AG audited the checklist instead of the ADBS report.</p>	<p>The Annual Report will be amended to reflect the actual performance for 2007/08 financial year as audited by JRAS prior to tabling to Mayoral Committee and Council in January 2009.</p>
<p>Issue 5.2 Through inspection of the CBP/PHP Database 2007/08 Ivory Park, it was identified that the database may not be accurate because some of the beneficiaries were accounted for more than once, thereby rendering the accuracy of the actual performance questionable.</p>	<p>Issue 5.2 Agree with the audit finding. The duplication is attributable to human error and has since been corrected.</p>	

Conclusion

The City will continue to review the PMS in terms of the evolving nature of performance management. The review process involves amendments to current policy to ensure full legislative compliance and alignment of performance management across the City.