

Performance Management System

A POLICY FRAMEWORK GUIDE



*“Of all the decisions an executive makes,
none is as important as the decisions about people, because
they determine the performance capacity of the organisation.”
(Peter Drucker as noted in Business Day, 22 July 2003).*



Preamble

The White Paper on Local Government (1998) proposed the introduction of Performance Management Systems (PMS) for local government as a tool for monitoring the progress of service delivery at local government level. Four years later, in 2002, the Municipal Systems Act of 2000, requires local governments to develop a PMS. It concludes that Integrated Development Planning, Budgeting and Performance Management are powerful aspects that can help municipalities develop an integrated perspective on development in their area. It is against this background that this policy document for developing and implementing a PMS for the Cape Winelands District Municipality (CWDM) should be evaluated.

The purpose of this policy document is to develop (within the legal framework of the Municipal Systems Act) a performance management framework for the CWDM. This framework caters for the initiation, development, implementation, reporting and rewarding of performance management within the municipality.

The policy framework offers the CWDM a platform from which to implement, assess, monitor, measure, review, manage and reward performance throughout the municipality. It is important to note that a PMS is dynamic; it will develop over time to reflect the unique features of the CWDM environment. This policy framework aligns itself with improved performance in the CWDM, with the express aim of achieving its stated objectives and levels of performance.



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1

Introduction

Performance management is a strategic approach to management. It equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques for regularly planning, continuously monitoring, and periodically measuring and reviewing the performance of the organisation in terms of indicators and targets for efficiency, effectiveness and impact.

A Performance Management System (PMS) entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measuring, reviewing, reporting and improvement will be conducted, organised and managed. The framework also includes determining the different role players.

This policy document guides the development of a PMS for the Cape Winelands District Municipality (CWDM). It also forms the basis for aligning the Integrated Development Plan (IDP) with the operational business plans, performance areas and performance indicators of the various departments of the CWDM.

One of the hallmarks of leading-edge local governments has been the successful application of performance measurement to gain insight into, and make judgements about, the municipalities and the effectiveness and efficiency of their programmes, processes, and people. However, leading municipalities do not stop at the gathering and analysis of performance data.

These municipalities use performance measurement to drive improvements and successfully translate vision and strategies into action. In other words, they use performance measurement processes for managing their municipalities.

It is the intention of this policy framework to create a platform and infrastructure with which to manage the CWDM as a leading-edge municipality in South Africa.

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Objectives of the PMS

As a leading-edge municipality, CWDM seeks to create an efficient and effective Performance Management System to:

- translate its vision, mission and IDP into clearly measurable outcomes, indicators and performance levels that define success, and that are shared throughout the municipality and with CWDM's customers and stakeholders;
- provide a tool for assessing, managing, and improving the overall health and success of business processes and systems;
- create a culture of best practices;
- continue to shift from prescriptive and simply audited oversight to ongoing, forward-looking and compliance-based strategic partnerships involving (amongst others) agencies, communities, citizens and other stakeholders;
- promote accountability;
- include measures of quality, cost, speed, customer service, and employee alignment, motivation, and skills to provide an in-depth, predictive PMS;
- create pressures for change at various levels; and
- replace existing assessment models with a consistent approach to performance measurement and management.

The above goals are aligned with the South African Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) and the guidelines of the Department of Development Planning and Local Government. [Check name of dept. in Western Cape – ed]

3

Political and Legal Rationale behind a PMS for the CWDM

The goals of performance management stated in Section 2 set the scene for the political and legal rationale behind the management system. The Local Government: Municipal Systems Act of 2000, requires local governments to:

- develop a PMS;
- set targets, monitor and review performance based on indicators linked to the IDP;
- publish an annual report on performance management for the councillors, staff, 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; and
- involve the community in setting indicators and targets, and in reviewing performance;

The sections that follow focus on complying with these legal requirements by integrating them into the initialization, development, implementation, review, assessment and auditing of the PMS.

4

Initialising the PMS

4.1 Delegation of Responsibilities

The Municipal Systems Act (2000) places the responsibility on the Council to adopt a PMS, while holding the Executive Mayor responsible for the development and management of the system.

The Executive Mayor of the CWDM delegates the responsibility for the development and management of the PMS to the Municipal Manager of the CWDM. The CWDM's Executive Directors will be responsible for executing the PMS in their respective departments according to the approved framework.

4.2 PMS Responsibility Infrastructure of the CWDM

A project team (the Performance Management Team – PM Team) led by the Deputy Municipal Manager, delegated by the Municipal Manager, will be responsible for organisational performance management.

The team will consist of the Deputy Director: PMS, Director: Human Resources, Director: IDP, Director: Finance, PIMSS Manager and Internal Auditor(s).

The PM Team should be responsible for the following core activities:

- The development and implementation of the organisational PMS.
- Ensuring CWDM's implementation and compliance with all legal aspects in respect of the PMS policy.
- Facilitating further development and refinement of the PMS.
- Continuously supporting CWDM with the implementation, assessment, review, monitoring and computerization of the process.
- The compilation of the annual status report to the Council.

The Municipal Manager and the Performance Management Team (PMT) will have the authority to appoint and co-opt the following:

- Specialists to assist with its core responsibilities. Co-opted specialists should have practical experience of the South African local government environment.
- Departmental co-ordinators to assist with the development and implementation of the organisational PMS.

The Team will report to the Municipal Manager, who will in turn account to the Executive Mayor and finally Council.

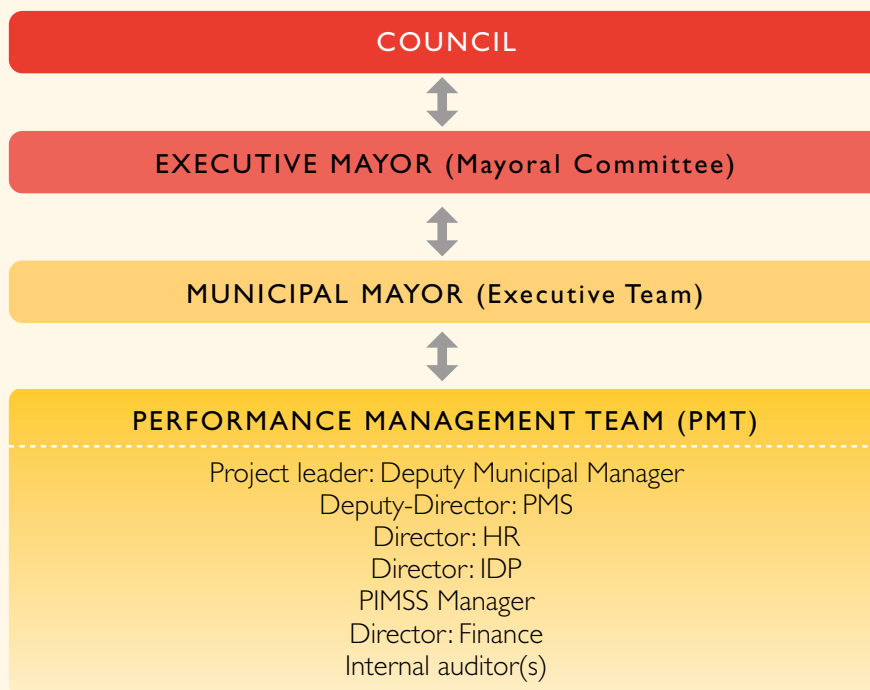


Illustration 1: PMS Organisational Structure of the CWDM

4.3 Managing the “Performance Transformation” Process

The Municipal Manager and the PM Team will keep the CWDM informed about the transformation, development, implementation and review of the PMS in order to:

- (a) communicate these roles, responsibilities and expectations within the municipality and to the public;
- (b) encourage public participation through the communication of performance information and the creation of appropriate mechanisms; and
- (c) ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive.

During the introduction of the PMS, officials will be made aware of and guided in understanding the need for performance management. This will include an introduction of the principles that will govern - the development and use of the PMS in the municipality.

The CWDM leadership must ensure that performance management establishes the accountability of:

- the municipality to the citizens and communities;
- the administration to the Council;
- line functions to executive management; and
- employees to the municipality.

To ensure full compliance, the municipality will:

- make change happen by mobilising the municipality;
- clarify and manage roles, responsibilities and expectations between the public and the municipality, between politicians and officials and among officials;
- communicate these roles, responsibilities and expectations within the municipality and to the public;
- deepen democracy by encouraging public participation through the communication of performance information and the creation of appropriate mechanisms;
- create a mechanism for efficient decision-making regarding the allocation of resources;
- introduce a diagnostic tool that indicates that the municipality is doing things right and also doing the right things;
- redefine the incentive structure if necessary, by rewarding successes and – alternatively – identifying opportunities for growth, learning and development; and
- ensure that the process of developing the system will be inclusive, participatory, transparent, simple and realistic, fair and objective, developmental and non-punitive.

5

Development of the PMS

5.1 Relationship between the IDP and the PMS

Although the development of the PMS is a separate process, it has very strong parallels with the preparation and development phases of the IDP. It is also crucial that the continuous development of the PMS identifies overlaps, and is used to calibrate the synergies between the IDP and performance measurement and the performance management of the CWDM. An integrated model for calibrating the three applications (including key performance area (KPA) and key performance indicators (KPIs) is schematically presented below:

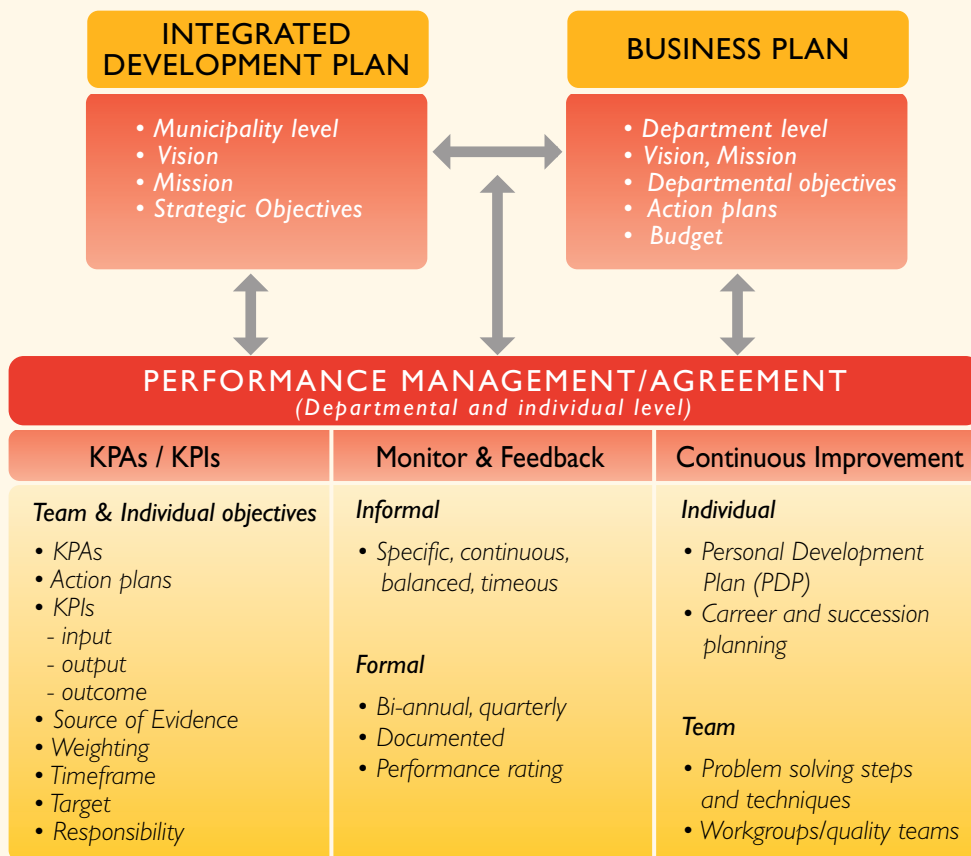


Illustration 2: Integration of the IDP, Business Planning and KPA's/KPI's

5.2 Stakeholders

The clear identification of stakeholders is crucial as each category of stakeholders performs a different role within the PMS.

The following are the stakeholders within the CWDM:

- Local municipalities, “affiliated” municipalities, international municipalities, DMA, national/provincial government, political parties, CWDM employees, councillors and organised labour.
- Civil society (women, disabled people, youth, sport, faith-based, educational bodies), communities and NGO’s.
- Organised business, electronic, printed media and TV, agriculture and tourism industries and road users.

5.3 Structures for Stakeholder Participation

It will be important to establish structures that will facilitate the meaningful participation of all stakeholders in the development of the system, consistent with the legislation. The CWDM municipality will utilise the same and/or linked IDP structures for stakeholder participation.

The CWDM may also utilise the following structures, amongst others:

- Ward committees
- IDP meetings
- Newsletters

5.4 Performance Management System

The Municipal System Act requires municipalities to develop a PMS suitable for their own circumstances. Therefore, working with the CWDM stakeholders, the PM Team should continuously ensure that the PMS is relevant and realistic and performance driven.

The CWDM’s PMS will cover the following two aspects, namely the framework and a model:

Firstly, 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 players.

Secondly, a performance management model. In developing the model, a those aspects or dimensions of performance that need to be measured must be chosen. Different models give different pictures of performance by emphasizing different measurable dimensions. The model that a municipality develops will influence which indicators it decides to use, and how it will group these indicators together into areas of performance (efficiency, customer satisfaction, etc).

In developing its PMS, the CWDM will ensure that the system:

- complies with all the requirements set out in the Municipal Systems Act (see references);
- demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system;
- clarifies the steps of implementing the system within the framework of the IDP process;
- determines the frequency of reporting and the lines of accountability for performance;
- relates to the municipality's employee performance management processes
- provides for the procedure by which the system is linked to the municipality's Integrated Development Planning processes; and
- provides for the adoption of the PMS.

5.5 Publication of the Performance Management System

The CWDM will publish the PMS in various ways in order to obtain comments from the identified stakeholders.

5.6 Adoption of the Performance Management System

Following the incorporation of the stakeholder comments, a final draft will be prepared for submission to Council. Council will adopt the system once it is satisfied that the process has been handled in accordance with the legislation and that the proposed system complies with the requirements of the law, especially the regulations governing the nature of the system.



Implementation of the PMS

6.1 Planning for Performance Management

The Municipal Manager mandates the PM Team to facilitate the implementation of the PMS. One of the core functions of the PM Team will be to develop an IDP-based implementation strategy.

The IDP process and the performance management process are seamlessly integrated. The IDP fulfils the planning stage of Performance Management and Performance Management fulfils the implementation management, monitoring and evaluation of the IDP process.

6.1.1 Priorities

The IDP delivers products such as a set of delivery priorities and objectives, a set of internal transformation strategies, priorities and objectives, identified projects that contribute to the achievement of the above objectives and a financial plan.

These priorities are essentially the issues that the CWDM pronounces to focus on in order of importance to address the needs of the community. Priorities may be clustered into the following key performance areas, which represent the broad development mandate of local government:

- Infrastructure and service
- Social and economic development
- Democracy and governance
- Financial management

6.1.2 Objectives

All components of the IDP need to be translated into a set of clear and tangible objectives. The statement of objectives requires a tangible, measurable and unambiguous commitment.

In setting objectives, the CWDM will need to:

- (a) Carefully consider the results desired.
- (b) Review the precise wording and intention of the objective.
- (c) Avoid overly broad results statements.
- (d) Be clear about the scope and nature of change desired.
- (e) Ensure that objectives are outcome and impact focused.

6.2 Key Performance Indicators (KPIs):

6.2.1 Importance of KPIs

Indicators are measurements that indicate whether progress is being made in achieving the goals. Indicators are important as they:

- (a) provide a common framework for gathering data for measurements and reporting;
- (b) translate complex concepts into simple operational measurable variables;
- (c) enable the review of goals and objectives;
- (d) assist in policy review processes; And
- (e) help provide feedback to the municipality and staff.

The CWDM will use indicators as a communication tool between staff, supervisors, managers, executive directors, the municipal manager and council. It will also serve to identify the gaps between IDP strategies and the operational plans of the various departments.

6.2.2 Types of Indicators

The following types of indicators will be used:

Baseline indicators: These are indicators that measure conditions before a project or programme is implemented.

Input indicators: These are indicators that measure what it costs the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less, in resources terms (efficiency) without compromising quality. The economy indicators may be the amount of time, money or number of people it took for the municipality to deliver a service.

Output indicators: These are the indicators that measure whether a set of activities or processes yields the desired products – effectiveness indicators. They are usually expressed in quantitative terms. These indicators relate to programme activities or processes.

Outcome indicators: These are the indicators that measure the quality as well as the impact of the products/programmes in terms of the achievement of the overall objectives. In terms of quality, they measure whether the products meet the set standards in terms of the perceptions of the beneficiaries of the service rendered. In terms of impact, they measure the net effect of the products or services on the overall objective. Outcome indicators relate to programme objectives.

All the above types of indicators should be measurable, simple, precise, relevant, adequate and objective.

6.2.3 Identification of indicators

The following aspects will be considered when identifying indicators:

- Priorities and objectives set in the IDP.
- Objectives to be clustered into KPAs such as service delivery development, institutional transformation, governance and financial issues.
- The activities and processes identified in the IDP for achieving the developmental objectives as well as the earmarked resources.
- Whether data is available for its measurement in the CWDM area.

6.2.4 Setting of KPIs

The CWDM will set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objects referred to in section 26(c) of the Act. In setting these key performance indicators, the CWDM will ensure that communities are involved. The CWDM will ensure that key performance indicators inform the indicators set for all its administrative units and employees as well as every municipal entity and service provider with whom the municipality has entered into a service delivery agreement.

Annexure A shows a KPI template that has been developed for the CWDM for collecting, consolidating and prioritising the municipality's KPAs and KPIs in a manner that links the objectives and action plans of the various departments to input, output and outcome indicators. This again is linked to time frames, performance targets, and performance levels on average, below average and above average levels. The responsible person or persons or teams are also identified. The following SMART criteria for the objectives, KPAs and KPIs were used:

S - specific

M - measurable

A - achievable

R - realistic

T - time-framed

The following is a description of all the elements that appear on the attached KPI template:

Key Performance Area (KPA): This is the area in which the municipality plays a role towards delivering services. These may include Infrastructure and Engineering, Health Services, Public Planning and Safety, Strategic and Corporate Services, Social and Economic Development, Institutional Transformation, Democracy and Governance and Financial Management, among others.

Objective: This outlines the aim of the municipality within the defined priority area and key performance area as related to the specific service to be delivered.

Actions plans: These are operational plans which are currently in place or being planned to reach the objectives of the various KPAs.

Priority indicator: This is an indication of plans that are crucial for executing the current or proposed action plans. For example, a high priority will also demand more immediate use of resources and inputs for delivery in consultation with the relevant service recipients.

Key Performance Indicators: These are quantifiable measures that show where performance currently is in relation to the baseline and the target. This describes the measure in a clear, simple and precise manner.

Input indicators: These are indicators that measure what it cost the municipality to purchase the essentials for producing desired outputs (economy), and whether the municipality achieves more with less, in resources terms (efficiency) without compromising quality. The economy indicators may be the amount of time, money or number of people it took for the municipality to deliver a service.

Output indicators: These are the indicators that measure whether a set of activities or processes yields the desired products – effectiveness indicators. They are usually expressed in quantitative terms. These indicators relate to programme activities or processes.

Outcome indicators: These are the indicators that measure the quality as well as the impact of the products in terms of the achievement of the overall objectives. In terms of quality, they measure whether the products meet the set standards relating to the perceptions of the beneficiaries of the service rendered. In terms of impact, they measure the net effect of the products or services on the overall objective. Outcome indicators relate to programme objectives.

Target date: This refers to the desired level of service delivery for the current financial year or specified period.

CWDM performance target: This is (preferably) a quantifiable figure that indicates

how current quantifiable measures compare with the set quantifiable targets for the time specified. These targets are directly linked to the “Budget Estimate”.

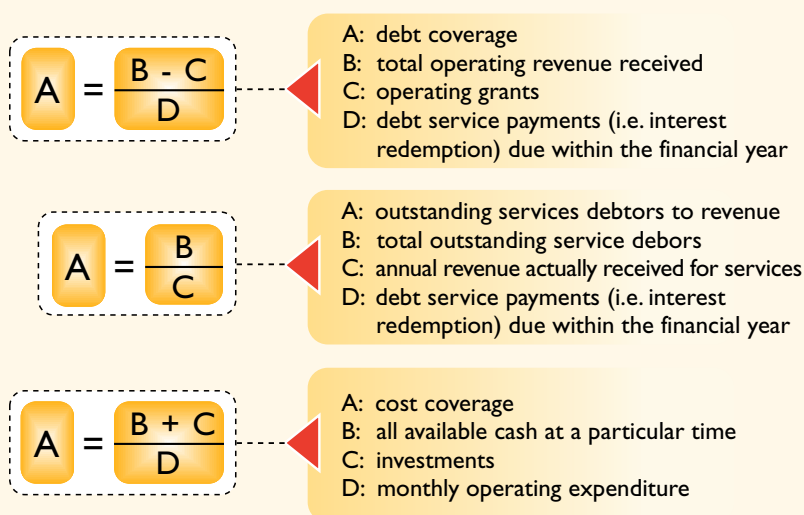
Performance levels: This indicates the level of performance in executing the action plans and achieving the specified outcomes. The performance levels are linked to specified time frames and specific targets. The template makes provision for average, below average and above average levels.

Assigning responsibility: This section indicates responsibility to a job position, an individual, team or teams. Assigning responsibility to a specific “filled” job position will assist the assessment and review of personnel performance.

6.2.5 National KPIs

The following general Key Performance Indicators are prescribed in terms of Section 43 of the Municipal Systems Act (2000):

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal.
- The percentage of households earning less than R1 100 per month with access to free basic services.
- 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 IDP.
- The number of jobs created through municipality’s local economic development initiatives including capital projects.
- 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.
- The percentage of a municipality’s budget actually spent on implementing its workplace skills plan.
- Financial viability as expressed by the following ratios:



6.3 Review of KPIs

The CWDM will review its Key Performance Indicators annually as part of the performance review process, or whenever it amends its IDP in terms of Section 34 of the Municipal Systems Act (2000).

6.4 Setting targets

Performance targets are the planned level of performance or the milestones the CWDM sets for itself for each indicator identified. The CWDM will identify baseline measurements, which is the measurement of the chosen indicator at the start of the period.

In setting targets, it is important to know how the CWDM is performing at the moment. 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 commensurate with available resources and capacity.

In setting a target the public need to be consulted on their needs and expectations. 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 CWDM.

Line managers need to advise as to what a realistic and achievable 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.

The CWDM will, for each financial year lay down performance targets for each of the KPIs set by it. A performance target must be practical and realistic. It must measure the efficiency, effectiveness, quality and impact of the performance of the CWDM. It must also identify administrative components, structures, bodies or persons for whom a target has been set. It is important that the set target is commensurate with available resources and the CWDM's capacity.

Finally, targets need to be consistent with the CWDM's development priorities and objectives set out in its IDP.

7

Developing a Monitoring and Reporting Framework

7.1 Requirements of a Monitoring Framework

Performance monitoring is an ongoing process that runs parallel to the implementation of the agreed IDP.

The monitoring framework must:

- identify the roles of the different role players in monitoring and measuring the municipality's performance;
- allocate specific tasks to the gathering of data and submission of reports;
- determine the data that must be collected in order to assess performance, as well as how that data is to be collected, stored, verified and analysed and how reports on that data are to be compiled;
- provide for reporting to the municipal council at least twice a year;
- be designed in a manner that enables the municipality to detect early indications of under-performance;
- provide for corrective measures where under-performance has been identified; and
- compare current performance with performance during the previous financial year by using the baseline indicators.

The CWDM will, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the performance indicators and performance targets set by it.

The mechanisms, systems and processes for monitoring in terms of the sub-regulation must provide for reporting to the municipal council at least twice a year. It must furthermore be designed in a manner that enables the municipality to detect early indications of under-performance and should provide for corrective measures where under-performance has been identified.

7.2 Designing a Performance Measurement Framework

The diagram below sets out a framework with the emphasis on timing, monitoring on a quarterly basis, review panels and reporting.

Performance assessments should be based on the indicators as discussed in Section 6.2. The schedule "starts" in July of the current year and extends to June of the following year in order to illustrate a full year of continuous measurement.

Therefore, the first quarter has been indicated as July – September. It takes time to gather information for proper assessment and therefore it might not be practical to start immediately with these measurements.

Line managers will be responsible for most measurements. Measurement, assessment and reporting will be central to the management duties of managers, directors and executive directors.

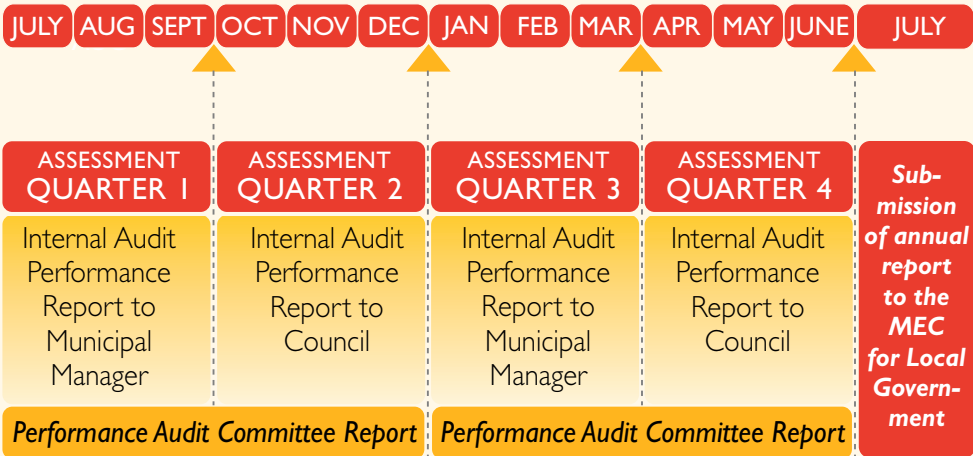


Illustration 3: Assessment Framework

Performance measurement 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.
- The total improvement brought by outputs in accordance with outcome indicators.

The above-mentioned monitoring, measurement and review of performance management within the CWDM is linked to different internal levels or "environments" in the municipality.

These levels can broadly be categorised as follows:

- The municipality or so-called organisational level.
- The executive level or so-called Section 57 environment.
- The human resources level or the staff members not directly linked to performance contracts or cash bonuses.

The table below provides an outlay of these levels, proposed measurement tools, frequency of assessment, internal audit requirements and reward systems with which to assess and award performance on these levels.

| | Municipality level | Contract staff | | Non-Contract staff |
|---|--|----------------------------|--------------------------|---------------------------------------|
| | | <i>Municipal Executive</i> | <i>Manager Directors</i> | |
| Type of review | Strategic scorecards Delivery scorecards | Performance Contract | Performance Contract | KPAs KPIs |
| Measurement | Household Survey Business Survey Staff Survey Councillor Survey | Performance Contract | Performance Contract | Services Scorecard |
| Frequency of assessment | Annually * | Bi-annually Quarterly * | Bi-annually Quarterly * | Bi-annually Quarterly * |
| Responsibility for assessment / Review | Mayoral committee/council Portfolio committee | Executive Mayor | Municipal Manager | Executive Director / Director |
| Reward system | Not applicable | Bonus as per contract | Bonus as per contract | Non-cash awards |
| Internal Auditing | Yes | Yes | Yes | No |
| Status of current assessment | Partly in place | In place | In place | To be fully developed and implemented |

Table 1: Different Assessment Levels in the CWDM

As stated, the Minister for Provincial and Local Government published the Municipal Planning and Performance Management Regulations in 2001. Performance management in this context does not refer to the performance of employees. While the two are related, and the Municipal Systems Act (2000) does require that senior municipal officials are appointed on performance contracts, there is no legal requirement that a municipality should have a PMS for its employees. Performance Management in Chapter 6 of the Municipal Systems Act refers to the management of performance of the municipality as an organisation.

However, this policy framework sets out options of measuring the CWDM as an organisation on a corporate level, assessment and reviews of personnel on contracts (section 57 appointees) and makes reference to other (non-contractual) CWDM staff members.

Service provision rendered to and/or on behalf of the Municipality:

Any service or function rendered to and/or on behalf of the municipality must be managed in the following manner:

- An identified official of the municipality is tasked to manage the end to end process.
- Specifications of the service and/or function required should be clearly documented
- Deliverables must be aligned to performance indicators that clearly reflect the outputs and/or outcomes of quantity and quality framed against associated costs with timelines
- A service level agreement is entered into between the municipality and service provider.

- Monitoring and reporting mechanisms with stipulated timeframes are put in place by the requesting municipal business unit to monitor service levels and deliverables. Reporting timeframes must align with monitoring framework.
- Payment for services are effected after due diligence is applied. Where possible, payments are based on deliverables achieved where the principle of a “Rand’s payment for a Rand’s service” is applied.

7.3 Scorecards as a “Tool” to Assess CWDM on a Corporate Level

Many so-called scorecards have been developed with the main aim of tracking progress on the basis of measuring certain pre-determined strategies or objectives. One of these scorecards is the Municipal Balanced Scorecard approach.

7.3.1 Objective of the Balanced Scorecard (BSC)

The balanced scorecard (developed by Kaplan & Norton) is a conceptual framework for translating an organisation’s (or municipality’s) strategic objectives into a set of performance indicators distributed among four perspectives, namely, Financial, Customer, Internal Business Processes, and Learning and Growth. Some indicators are maintained to measure an organisation’s progress toward achieving its vision; other indicators are maintained to measure the long-term drivers of success.

Through the balanced scorecard concept, an organisation monitors both its current performance (finance, customer satisfaction, and business process results) and its efforts to improve processes, motivate and educate employees, and enhance information systems(its ability to learn and improve).

7.3.2 The Four Perspectives of the Balanced Scorecard

- (a) Financial: In the local government arena, the “financial” perspective differs from that of the traditional private sector. Private sector financial objectives generally represent clear long-range targets for profit-seeking companies, operating in a purely commercial environment.

Financial considerations for public organisations have an enabling or a constraining role, but will rarely be the primary objective for business systems. Success for public organisations should be measured by how effectively and efficiently they meet the needs of their constituencies. Therefore, in the government, the financial perspective emphasizes cost efficiency, i.e., the ability to deliver maximum value to the customer.

- (b) Customer: This perspective captures the ability of the organisation to provide quality goods and services, the effectiveness of their delivery,

and overall customer service and levels of satisfaction. In the governmental model, the principal driver of performance is different to that of a strictly commercial environment: customers and stakeholders take pre-eminence over financial results. In general, public organisations have a different, perhaps greater, stewardship/fiduciary responsibility and focus than do private sector entities.

- (c) Internal Business Processes: This perspective focuses on the internal business results that lead to financial success and satisfied customers. To meet organisational objectives and customers' expectations, organisations must identify the key business processes at which they must excel. Key processes are monitored to ensure that outcomes will be satisfactory. Internal business processes are the mechanisms through which performance expectations are achieved.
- (d) Learning and Growth: This perspective looks at the ability of employees, the quality of information systems, and the effects of organisational alignment in supporting accomplishment of organisational goals. Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them. This perspective takes on increased importance in organisations, like the CWDM, that are undergoing radical change. In order to meet changing requirements and customer expectations, employees may be asked to take on dramatically new responsibilities, and may require skills, capabilities, technologies, and organisational designs that were not available before.

The diagram below depicts a proposed BSC framework for municipalities.

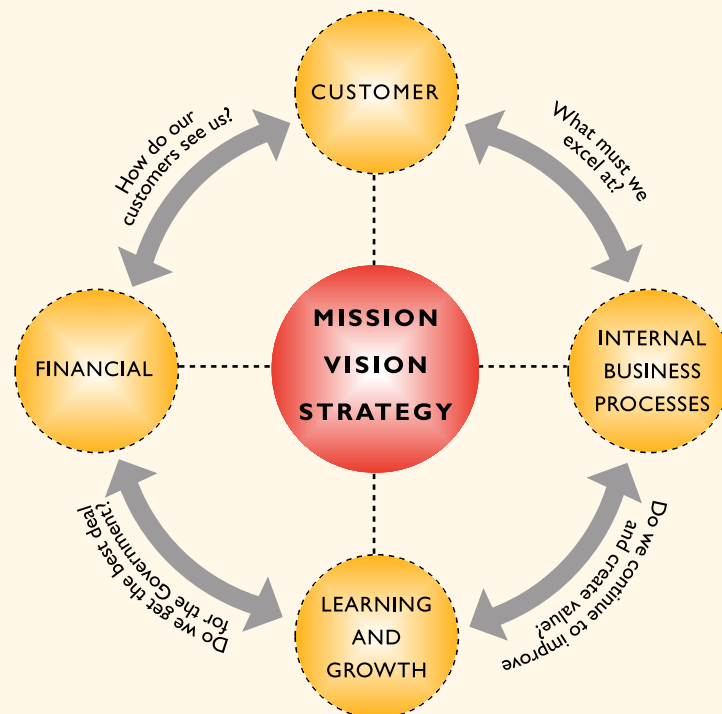


Illustration 4: Strategic Perspectives of a Balanced Scorecard

7.3.3 Strategic and Service Scorecards as Reporting and Review Tools

Municipal scorecards are related to the concept of “Balanced Scorecards” and if practical, once implemented should be able to:

- Align performance measurement with the IDP and strategic planning of the CWDM.
- Provide a balanced view of performance based on departmental business plans, key inputs, output indicators and outcomes.
- Link the operational environment with management strategies and the political processes of the CWDM.

The diagram bellow gives an indication of the use of scorecards on an annual basis to track, report and review performance.

The service and strategic scorecards are based on regular:

- Departmental Reviews
- Portfolio Committee Reviews
- Council Reviews
- Household surveys
- Employee satisfaction surveys
- Management Team Reviews
- EXCO Reviews
- Public Reviews
- Business satisfaction surveys

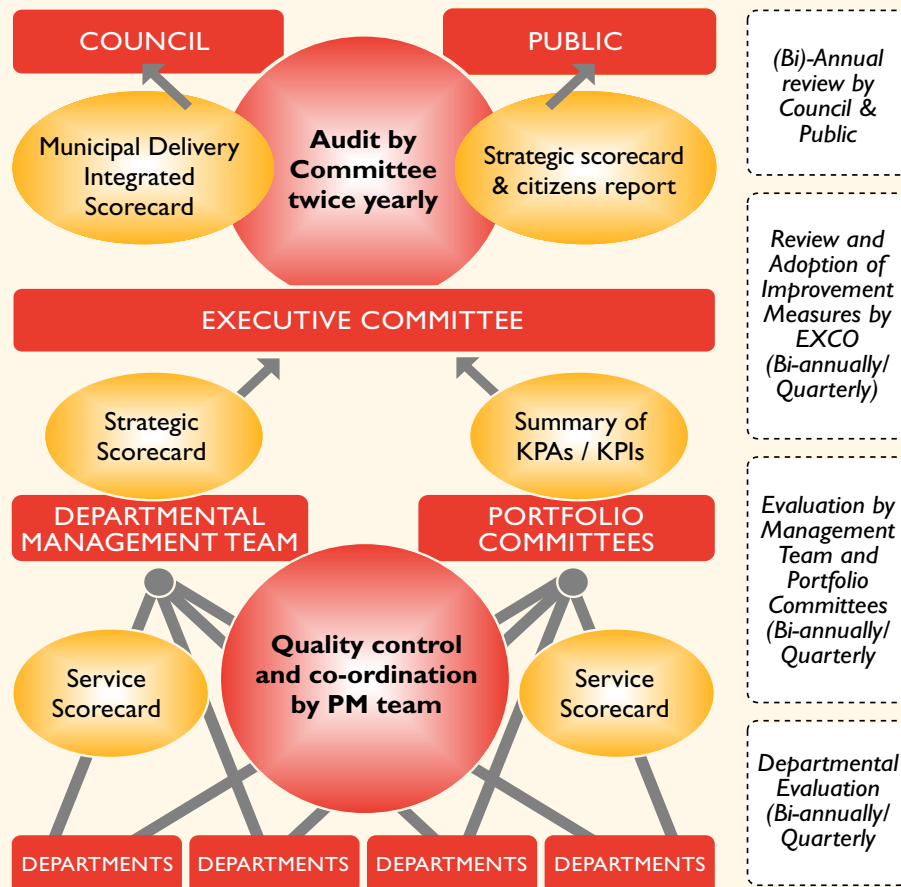


Illustration 5: Strategic Map of Performance Scorecards
Source: Adapted from the Hibiscus Coast Municipality IDP (2003)

7.3.4 Analysis of Measurements

Analysis requires the interpretation of the measurements to determine whether targets have been met and exceeded, and projections on whether future targets will be met. Where targets are not being met, analysis requires that the reasons should be examined and corrective action recommended.

7.3.5 Who does the Analysis?

It is crucial that line managers continuously analyse the measurements that they are generating. They are best placed, having an in-depth understanding of their sector, to analyse whether targets are met currently, and will be met in the future, what the contributing factors are to the level of performance and what remedial action needs to be taken. This will constitute a preliminary analysis and should be done by respective line managers for objectives and indicators that lie within their area of accountability.

It is useful to have a corporate analysis of performance. This analysis should examine performance across the municipality in terms of all its priorities. To be successful, capacity for this level of analysis should be set up centrally, in the office of the Municipal Managers, Executive Mayor and Mayoral Committee.

7.4 Conducting Performance Reviews

Performance review is a process where the municipality, after measuring its own performance, assesses whether it is doing the right thing. The first method of conducting performance reviews is to look at whether the current level of performance is better than that of the previous year, using baseline indicators. The second method is to look at the municipality's performance by comparison with other similar ones, by way of a benchmarking exercise. The third method is to look at what the people think about the performance of the municipality across the range of services, by way of customer surveys or other community feedback mechanisms.

This review approach is consistent with the "best value" review framework of challenge, compare, consult and compete. The framework calls for the municipality to challenge the current level of performance, compare it to others, consult with the customers or communities and find ways of competing with others to provide best value in service delivery.

7.4.2 Who Conducts Reviews?

In order to meet the objective of ensuring accountability, reviews are conducted according to certain lines of accountability.

| | |
|--|---|
| Supervisors | Review performance of individual or groups of employees reporting directly to them, depending on the type of employee PMS that is adopted. |
| Line/Functional Managers | Review performance of their respective areas regularly (monthly). The reviews should at least cover all the organisational priorities respective to these functions. |
| Standing/Portfolio Committees | Manage performance of functions respective to their portfolios. They should at least review performance of organisational priorities that lie within their portfolio monthly, while maintaining a strategic role. |
| Executive management (Municipal manager and his/her Management Team) | Review performance of the municipality monthly, prior to and more often than the Mayoral Committee: <ul style="list-style-type: none"> • Review performance more often, in order to intervene promptly on operational matters where poor performance or the risks thereof occur. • Review performance before reporting to politicians so that they can prepare, control the quality of performance reports submitted and ensure that adequate response strategies are proposed in cases of poor performance. • Review performance prior to being conducted by standing, portfolio or committees. |
| Mayoral Committee | Review performance of the administration, and should remain strategic. It is proposed that reviews take place on a quarterly basis with the regular final quarterly review taking the form of an annual review. The content of the review should be confined to agreed and confirmed priority areas and objectives only. The Municipal Manager should remain accountable for reporting on performance at this level. |
| Mayoral Committee | Review performance of the Municipal Council, its committees and the administration on an annual basis, in the form of a tabled annual report at the end of the financial year. |
| Council | Review performance of the Municipal Council, its committees and the administration on an annual basis, in the form of a tabled annual report at the end of the financial year. |
| Public | Review performance of the Municipality and public representatives (Councillors) in the period between elections. It is required by legislation that the public is involved in reviewing municipal performance at least annually. |

Table 2: Lines of Accountability in respect of Performance Reviews

7.5 Improving Performance

While good and excellent performance must also be constantly improved to meet the needs of citizens and improve their quality of life, it is poor performance in particular that needs to be improved as a priority. In order to do this, it is important that the causal and contributing reasons for poor performance are analysed.

Poor performance may arise out of one or more of the following:

- Poor systems and processes.
- Inappropriate structures.
- Lack of skills and capacity.
- Inappropriate organisational culture.
- Absence of appropriate strategy.

To improve performance, the appropriate response strategy should be chosen:

- Restructuring is a possible solution for an inappropriate structure.
- Process and system improvement will remedy poor systems and processes.
- Training and sourcing additional capacity can be useful where skills and capacity are lacking.
- Change management and education programmes can address organisational culture issues.
- The revision of strategy by key decision-makers can address shortcomings in this regard.
- Consideration of alternative service delivery strategies should be explored.

Performance analysis is a requirement in order to identify poor performance. The Municipal Manager will implement the appropriate response strategy to improve performance.

7.6 Reporting on Performance

Reporting requires that the municipality takes the priorities of the organisation, its performance objectives, indicators, targets, measurements and analyses, and present this information in a simple and accessible format, relevant and useful to the specific target group, for review. The KPI-template (see Annexure A) will be used as a basis for reporting on performance.

Performance management in local government is a tool to ensure accountability, and it is necessary that the reporting process follows the following lines of accountability:



Illustration 6: Reporting Lines in respect of Performance Accountability

7.7 Tracking and Managing the Reporting Process

To ensure that the reporting process runs smoothly and effectively, it will be necessary to centrally coordinate, timetable, track and monitor reporting processes and analyse performance reports at an organisational level.

7.8 Publication of Performance Reports

Two types of performance reports will be compiled, a technical performance report and popular performance report. The annual report is required by legislation to be made available to the public. It is advisable that, within the resources and capacity as well as the restraints of the CWDM, the public be more frequently informed of the municipality's performance through means of accessible media.

7.9 Public Feedback Mechanisms

Public feedback on reported performance may be obtained, if the public is made aware of dedicated mechanisms for submitting feedback, such as toll-free lines, addresses, feedback boxes, the municipality's contact details, contact persons, etc.

7.10 Public Hearings

Public hearings can be held to report to communities on municipal performance and engage communities in a review of past performance and the identification of future priorities. These public hearings can be held as often as the municipality can afford, within resources and capacity restraints.

7.11 Performance Audit Mechanisms

7.11.1 Introduction

In order for the PMS to enjoy credibility and legitimacy from the public and other stakeholders, performance reports will be audited. Audits should ensure that reported performance information is accurate, valid and reliable.

7.11.2 Legal Requirements

The requirement according to the Municipal Systems Act (2000) is that the annual performance report must be audited internally, before being tabled and made public. The Auditor-General will also audit its annual performance report/questionnaire after this has been reviewed by the Council. The annual report must then be audited by the Auditor-General and thereafter submitted to the MEC for Local Government in the province. The MEC is required to complete a consolidated annual report of the performance of all municipalities in the province, identifying poor performing municipalities and proposing remedial action. The MEC must then submit it to the National Minister. The National Minister will present a consolidated report of all nine provinces to parliament.

7.11.2.1 Internal Audits

Over and above the legal requirements, at least bi-annual performance reports tabled to the Mayoral Committee must undergo some form of internal audit. A variety of social, economic and service delivery indicators should be audited. Where the internal audit capacity needs to be complemented with new skills, it is advisable to contract with specialists in particular sectors. Often, over and above verification of information, audits require more in-depth expert analysis of why poor performance is occurring.

It is important to involve stakeholders such as citizens, community organisations, Non Governmental Organisations (NGOs), employees and trade unions in the audit process. This will increase the credibility and legitimacy of the performance reports and the audit process.

The CWDM will develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. Any auditing will include assessments of the following:

- The functionality of the CWDM's PMS.
- Whether the CWDM's PMS complies with the Municipal Systems Act (2000).
- The extent to which the performance measurements are reliable in measuring performance of the CWDM on the set indicators.

Assurance of Achievements

In order to obtain assurance that the performance management system's objectives have been achieved, an evidence review of achievements attained will be undertaken by Internal Audit.

All officials responsible for project implementation, service provision rendered to and on behalf of the municipality must ensure that documentation is kept to reflect proof of achievements.

The following are recommended guidelines:

- Proof that the objective and/or deliverable has been achieved. For instance, building of clinics: picture of the completed clinic, requisitions, invoices, progress reports, expenditure report of payments, letters recording appointment of contractors and consultants, and so on. Documentary evidence that the deliverable, activity and sub-activities have been achieved should be on hand and organized in manner that is easily accessible for auditing purposes.
- The extent of evidence documents could encompass schedules, tables, references to where original documents are stored, expenditure reports, etc.
- Referencing between the project, service rendered to and/or on behalf of the municipality, deliverables, key performance indicator and the output documents should exist as far as possible.

All evidence documentation should be readily available until the final performance audit review for that year has been completed by Internal Audit and the Office of the Auditor- General.

Storage and retention periods for all evidence documentation must comply with Council's policy and processes related to the storage of documents.

7.11.2.2 Internal Auditors

The CWDM's internal auditors must:

- On a continuous basis audit the performance measurements of the CWDM.
- Submit quarterly reports on their audits to the Municipal Manager and Performance Audit Committee (PAC).

7.11.2.3 Performance Audit Committee (PAC)

The CWDM must on an annual basis appoint and budget for a PAC consisting of three to five members, the majority of whom may not be involved in the municipality as a councillor or an employee. The PAC must include at least one

person who is knowledgeable in performance management. The CWDM may utilise any audit committee established in terms of other applicable legislation as the envisaged PAC, in which case the provisions of this sub-regulation, read with the necessary changes, apply to such an audit committee.

The Council of the CWDM must designate a member of the PAC who is not a councillor or an employee of the municipality as chairperson of the committee. If the chairperson of the PAC is absent from a specific meeting of the committee, the members present must elect a chairperson to act for that meeting. In the event of a vacancy occurring amongst the members of the PAC, the CWDM must fill that vacancy until the vacancy is filled. The CWDM will provide secretariat services for its PAC.

A member of the PAC who is not a councillor or an employee of the municipality may be remunerated taking into account the tariffs determined by the South African Institute of Chartered Accountants in consultation with the Auditor-General.

The PAC must meet at least twice during the financial year of the municipality. A special meeting of the PAC may be called by any of its members. The PAC may determine its own procedures after consultation with the Executive Mayor or the Executive Committee of the municipality, as the case may be.

The PAC must:

- review the reports submitted to it;
- review the municipality's PMS and make recommendations in this regard to the Municipal Council, and
- at least twice during a financial year submit an audit report to the Municipal Council.

In reviewing the municipality's performance and the management thereof, the PAC must focus on the economy, efficiency, and effectiveness and impact in so far as the KPIs and performance targets set by the municipality are concerned.

The PAC may:

- communicate directly with the Council, Municipal Manager or the internal and external auditors;
- 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 exercising of its powers.



Link between Organisation and Employee Performances

The performance of a municipality is integrally linked to that of its staff. If employees do not perform, a municipality will fail. It is therefore important to manage both at the same time. The relationship between organisation performance and employee performance starts from planning, implementation, monitoring and review.

8.1 Planning

The PMS yields a set of indicators and targets. These become an undertaking of the municipality to the community. The indicators and targets should be incorporated into the Municipal Manager's performance agreement, as he/she is responsible for the implementation of the PMS. The Municipal Manager may take relevant indicators to departments concerned. These indicators would then become the indicators and targets of the Head of the Department, and would be incorporated in his or her performance agreement. The head may cascade these indicators and targets to lower levels in line with the scope of responsibilities at that level.

8.2 Implementation and Monitoring

When projects and programmes are implemented, the Municipal Manager needs to set up a framework to track performance of all managers, who would in turn do the same for lower level staff.

The framework, in terms of employee performance management, should clarify the following:

- Targets for all levels in the municipality.
- Methods for tracking performance.
- Intervals for reporting.
- Lines of accountability.
- Institutional arrangements.

8.3 Review

The Municipal Manager must, within the parameters of an employee PMS, set up a framework for performance reviews of staff.

The framework, in terms of employee performance management, should clarify the following:

- Areas of performance to be reviewed flowing from IDP.
- Review methods to be used.
- Review intervals.
- Linkages with broader strategic review of the municipality

8.3.1 Phases of Individual Performance Review Process

The individual performance management process can be divided into four phases. The diagram below indicates these phases.

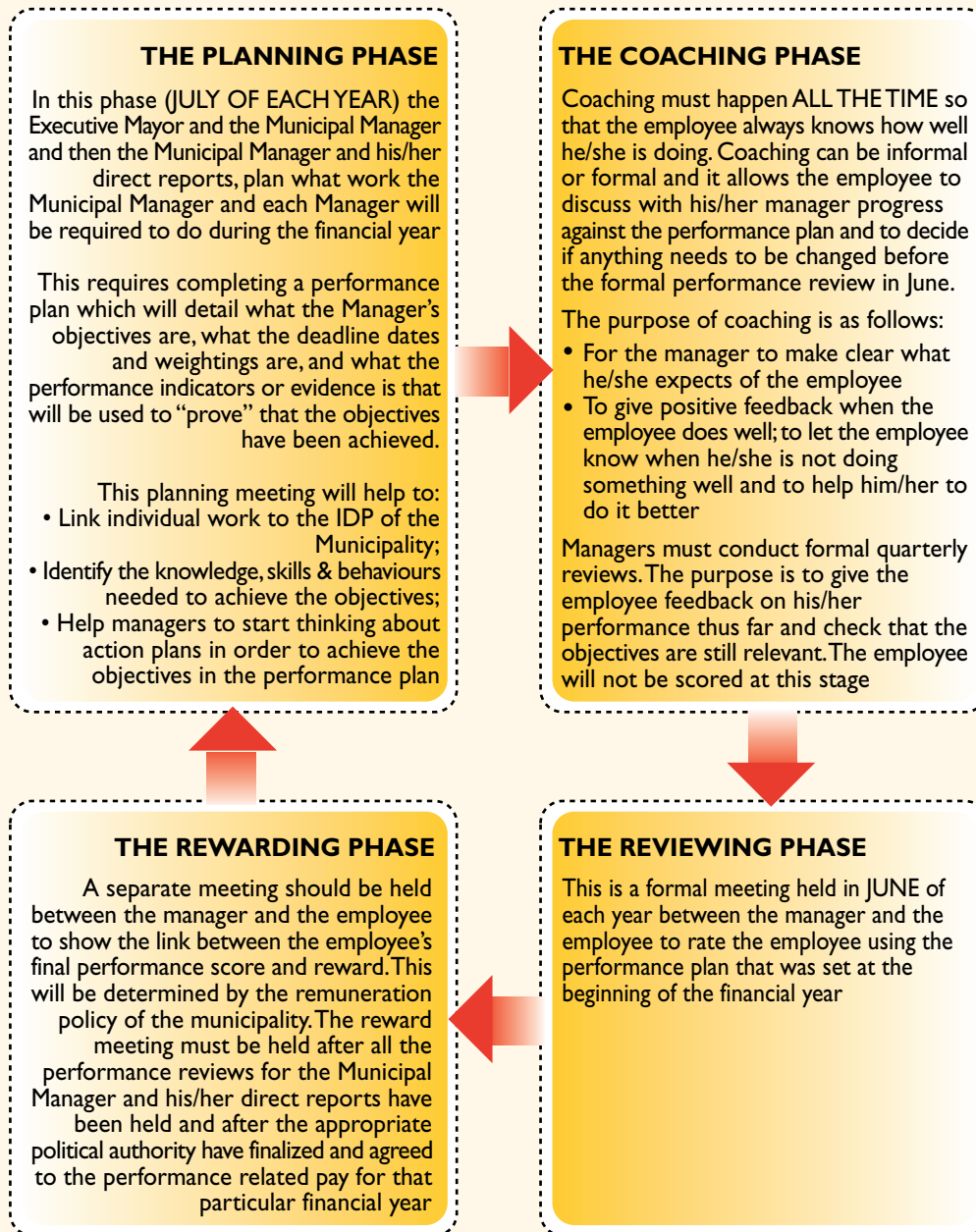


Illustration 7: Phases of the Individual Performance Review Process

Although the processes are similar, there are distinct differences between the "types or sections" of employees covered by performance management in South African municipalities. These differences are spelled out in Section 8.4

8.4 Employees Covered by the Municipal PMS

8.4.1 Introduction

Two broad approaches are used to manage and reward the performance of municipal employees.

The reason for this relates to the following considerations:

- The Municipal Systems Act 32 of 2000 requires that the Municipal Manager sign a fixed term contract and a performance agreement and suggests that the managers or executive directors reporting to the Municipal Manager do the same.
- Section 57 Employees (The Municipal Manager and his/her direct reports), in terms of the SALGA policy, can therefore have their performance linked directly to reward.

The performance reward system applied to Section 57 Employees will therefore be different from the performance reward system applied to employees who are not Section 57 Employees.

Approach 1: Performance agreements for Section 57 Employees linked directly to reward as per the remuneration policy of the Municipality. (See section 8.5.)

Approach 2: Performance agreements for all other employees. The link to reward will initially be non-financial. (See paragraph 8.6.)

8.5 Guidelines for Section 57 (Individual) Performance Agreements

This section deals with specific guidelines as set out by the South African Local Government Association (SALGA).

8.5.1 What is a Performance Agreement?

A performance agreement is an agreement between an employee (the Municipal Manager or his direct reports) and his/her manager (Executive Mayor, or the Municipal Manager), which regulates the performance required for a particular position and the consequences of the performance.

8.5.2 Parties to a Performance Agreement

- The Executive Mayor and the Municipal Manager, or
- The Municipal Manager and his/her direct reports.

8.5.3 Link between a Contract of Employment and a Performance Agreement

The contract of employment and the performance agreement are separate documents with different legal characters and consequences. The employment contract for the Municipal Manager and the executive directors and managers reporting directly to him/her should require that the parties conclude performance agreements within a reasonable period of time. The employment contract should be directly linked to the performance agreement, so that the results are measurable. In other words, it will impact directly on the employment relationship if the performance agreement is not signed or fulfilled. The diagram below illustrates the circular process of the above-mentioned link.

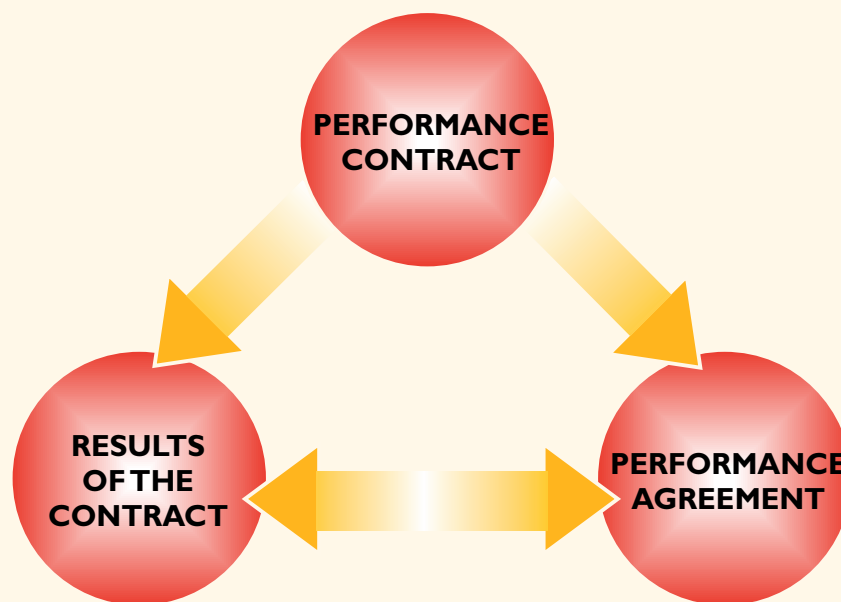


Illustration 8: Link Between Performance Contracts and Performance Agreements

The following definitions are applicable:

- **Contract of Employment:** An agreement in terms of which a person (the employee) works for another (the employer) in exchange for remuneration.
- **Performance Agreement:** An agreement between an employee and his/her manager, which regulates the performance required for a particular position and the consequences of the performance.
- **Performance Plan:** A schedule to a performance agreement that sets out in detail the performance requirements of the particular position referred to in the performance agreement.
- **Performance Charter:** A working discussion document, which describes the entire position.

8.5.4 Essential Features of a Performance Agreement (according to the Municipal Systems Act (2000)).

The essential features are:

- The performance agreement must be concluded within a reasonable period of time and thereafter within one month after the beginning of the financial year of the municipality. (Section 57 (2)(a).)
- Performance objectives and targets (Section 57 (4)(a)) which are practical, measurable and based on the key performance indicators set out from time to time in the municipality's IDP. (Section 57(5).)
- Time frames within which the performance targets must be met. (Section 57(4)(a).)
- Standards and procedures for evaluating performance. (Section 57(4)(b).)
- The consequences of substandard performance. (Section 57(4)(c).)

8.5.5 Guidelines and Documents for a Performance Agreement.

There are nine parts to the agreement (SALGA, 2003):

- Performance agreement.
- A statement about the purpose of the position.
- A scorecard detailing key objectives and their related performance indicators, weightings and target dates.
- Information about the knowledge, skills and behaviours required to perform the job.
- Performance review procedure.
- Consolidated score sheet.
- Link to reward.
- Individual learning plan.
- Control sheet.

8.6 Guidelines for CWDM Staff without Performance Agreements

8.6.1 Introduction

The performance reward system applied to Section 57 Employees is different from the performance reward system applied to employees who are not Section 57 Employees. If an employee is a permanent employee of Council and is thus covered by the conditions of service of the municipality, performance is not directly linked to pay. Currently, the employee receives an annually bargained increase determined by the South African Local Government Bargaining Council (SALGBC). These employees must receive rewards for performance, but they receive non-cash rewards, until such time as a national remuneration policy dictates otherwise.

8.6.2 Bargaining Unit Employees

Staff that have not signed fixed term contracts within the municipality remain permanent employees of the municipality and are subject to the conditions of service of the bargaining council. This means they receive an annual agreed increase negotiated through the National Local Government Bargaining Council.

8.6.3 Non-Cash Awards

There are a number of advantages to non-cash rewards:

- The “memory value” is high.
- The reward is reinforced by peer admiration.
- They can be tailored to municipality goals and individual preferences.
- The municipality can control the duration and impact of these type of awards.
- The reward can be instant and frequent.

8.6.4 Types of Non-Cash Awards

There are three types of non-cash rewards within the PMS:

1. Formal rewards linked to personal scorecard. This reward is allocated to an individual and is determined by the score on the employee's scorecard.
2. Achievement awards. These rewards measure the achievements of an individual or functions/department against other individuals or functions/departments. They do not therefore link directly to the PMS of employees, but are an additional effective way of encouraging and recognizing outstanding performance. Also see Section 10 on compensating excellence.
3. Informal rewards. These are very low cost and linked to motivational team building.

The rest of this section will focus on formal individual rewards.

8.6.5 Formal Rewards Linked to Personal Scorecards

Employees who perform well and receive an above average rating during their performance appraisal, but who do not qualify for financial rewards are eligible to receive some form of non-financial reward. These non-financial rewards are given separately from the pay and benefits package and recognize specific achievements identified during the performance appraisal. The table below illustrates certain non-cash rewards for above average performance.

| PERFORMANCE LEVELS | EXAMPLES OF NON-CASH REWARD |
|--|--|
| Outstanding / above performance levels | <p>A. Employee is granted “free” leave days.</p> <p>B. The Employee is able to attend a conference/seminar relevant to his/her work that costs a maximum number of leave days spelled out in A above for that employee.</p> <p>C. The Employee may select a work tool that will enhance his/her ability to perform better in his/her job that costs a maximum number of leave days (spelled out in A above) for that employee.</p> |
| Average | No specific reward. |
| Below average | Compulsory performance counselling. |

Table 3: Examples of Non-Cash Rewards



Building Capacity and Infrastructure

9.1 Capacity of Stakeholders in CWDM

The success of the implementation of the PMS rests on the capacity of line managers, executive management, councillors, citizens and communities to fulfil their roles. It is therefore important to train and support the various stakeholders in the CWDM area.

9.2 Training and Support for Role Players

All stakeholder groups will need some level of training and support to fulfil their commitments in planning, monitoring, reviewing and improving performance. Training and support should be customised for each group:

- Employees: Training and ongoing support will need to be provided for employees in order for them to fulfil their roles in improving performance. This can be integrated into other forms of employee training.
- Managers: Training and ongoing support will need to be provided for managers in order for them to fulfil their roles in improving performance. This can be integrated into other forms of management training.
- Councillors: A special training and support programme for councillors could be integrated into a holistic councillor-training programme.
- Public: Some form of ongoing public education campaign on their role in managing municipal performance would be practical and useful. A training programme for the leadership of civic and community organisations could be strategic.

9.3 Additional Capacity

Additional capacity will also be required for:

- Collating, documenting and managing a database of performance management plans, reports and outcomes of reviews.
- Measuring all central and long term indicators.
- Analysing all performance measures at a corporate level.
- Tracking and managing the performance reporting and review process.
- Conducting internal audits of performance.
- Documenting and archiving all relevant documentation.
- Reviewing the performance management process and suggesting improvements.

9.4 Resourcing

It is preferable to provide all the above-mentioned additional functions within the municipality. If necessary, external service providers should only be contracted if internal capacity is constrained or where specialists are needed.

The approved Municipal PMS will have to be designed, developed and project managed. The PM Team must ensure the implementation of a workable and effective PMS. This team is responsible for managing and improving the PMS. The project leader reports directly to the Municipal Manager.

The majority of the PM team as well as the project leader are municipal employees. Municipal employees, rather than external contractors, are in a better position to understand the municipality, its needs, and the dynamics between stakeholders and consultative processes.

In order to ensure that the PMS is useful and effective, it is important to regularly evaluate the PMS in terms of all its users. At least once a year – preferably after the annual review process – it may be useful to evaluate the PMS, in cooperation with a sample group that is representative of all stakeholders, and key decision-makers in the municipality.

If it is possible within the resources of the municipality, it may be useful to commission an independent organisation to evaluate the PMS, possibly after the first year and every three years thereafter. These evaluations should result in an improvement plan for the performance management that should be implemented immediately afterwards.

Networking and sharing knowledge with other municipalities locally and internationally will enhance the usefulness and effectiveness of the municipal PMS.

10

Compensating Excellence – The Mayoral Award

Competitiveness amongst the regions and CWDM departments will ensure that excellence is pursued. Furthermore, internal benchmarking and recognition of the highest level of performance will render the necessary prestige for performance management within the CWDM. The establishment of a Mayoral Award for Excellence will focus all departments on the importance of performance and will also enhance a culture of performance management.

Conclusion

PMS cannot be implemented or transplanted directly from another organisation or copied from a text book or taken from the shelf. Each municipality or department or region is unique because of the ever-changing environment in which it operates. Therefore, when developing and implementing a PMS, it is essential that this intervention is properly understood and tested, before implementation, in order to facilitate effective performance.

No PMS operates in isolation as it is a systems-wide intervention that ensures control in the ultimate achievement of vision/mission, strategic objectives and goals. It is therefore vital that the CWDM takes ownership and “grows” into its own PMS with the help of experts.

It is important to note that a PMS is dynamic and will change and develop over time to reflect the unique features of the organisation. The CWDM environment is no exception to this phenomenon and this policy framework lends itself to improvement and positive changes, with even more focussed alignment to its objectives and performance levels.

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