

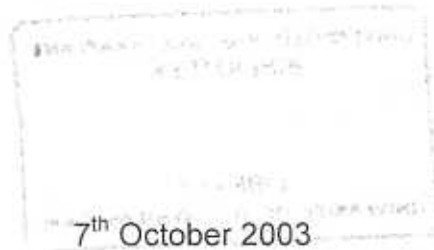
Performance Management in Developmental Local Government

A search for an effective and workable approach

Nishendra Moodley

A minithesis submitted in partial fulfilment of the requirements of the degree of Magister Philosophiae, in the School of Government, Department of Economic and Management Sciences, University of the Western Cape.

Supervisor: Professor Chris Tapscott



Keywords

- Performance
- Management
- Developmental
- Municipal
- Government
- Indicators
- Models
- Challenges
- Case Studies
- Accountability
- Participation

Abstract

Performance Management in Local Government

N Moodley

MPhil (Governance), School of Government, Department of Economic and Management Sciences, University of the Western Cape

The system of performance management has been introduced to local government in South Africa, as a useful mechanism to promote accountability and to open up municipalities to the demands of their citizens. This research report evaluates the policy and legislative context and finds it to be coherent with the goals of development and the building of local democracy. The broad approach suggested by policy, legislation and the regulations has been implemented by 26 municipalities in a pilot programme run by the Department of Provincial and Local Government. The experiences of these pilot municipalities indicate that the general approach, while flawed in some respects is broadly workable, but that it is still too early to assess its usefulness. The research report develops criteria for an effective model for performance measurement in developmental local government and uses these to critique two private sector models being marketed to local municipalities. The critique shows that these models are inappropriate, largely because both their discourse and emphasis on what is valued to be good performance is unsuitable for developmental local government and these models do not facilitate the processes of integrated development planning. The research report uses the criteria developed to construct an alternative model for performance management of developmental local government, illustrating local cases where this approach has been implemented. The report also identifies some of the future challenges facing performance management in local government.

October 2003

Declaration

I declare that Performance Management in Local Government is my own work, that it has not been submitted for any degree or examination in any other university and that all sources that I have used or quoted have been indicated and acknowledged by complete references.

Nishendra Moodley

7th October 2003

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Chapter 1: Introduction

"What services? The only time you see the council here is the election time, when they make promises for getting votes. Our councillor, we haven't seen him since ... I don't know what they do there at the council. Where is the service delivery? The rubbish is still lying here from last year" – Florence Ngonyama, Joe Slovo Informal Settlement, Cape Town (July 2000).

It is not hard to imagine any municipal resident in South Africa, irrespective of their socio-economic status, not empathising at some level with the frustrations of Florence Ngonyama. While residents from all income groups complain about poor service and the lack of accountable municipal governance, the experience is worst for the poor, the marginalised and socially excluded.

Recognising the problems associated with accountability at a local level, the Department of Provincial and Local Government introduced the notion of developmental local government to municipalities, as set out in the White Paper on Local Government (1998). Performance management, together with integrated development planning and meaningful public participation, constitute the central tools of developmental local government. Performance management cannot be expected to solve all problems related to accountability. However, it can be suggested as one of a set of useful approaches in making local government transform from being historically insular and removed from the people and their basic needs, to a developmental institution that builds local democracy and finds integrated, holistic and sustainable solutions to meet community needs.

Rationale for the study

The legislative obligation placed on municipalities to develop and implement performance management systems in line with their integrated development plans, has been a significant departure from the historical norm for South African municipalities. The requirements of integrated development planning, performance management and public participation have been consequences of the decentralisation of powers embodied in South Africa's new constitution of 1996 and the newly emerged system of local government. In the light of the new powers

assigned to local government, the national government has seen it necessary to prescribe the conditions under which municipalities should conduct integrated planning, should account for their performance (in terms of these plans) to other spheres of government and the public, and how they should engage the public in participative processes.

The legal prescripts for the implementation of performance management systems, however, did not include a normative model for municipalities to follow, but rather a minimum set of requirements which local governments are expected to use as the basis for the development of their own systems and approaches.

At the same time South African local government in the post-apartheid era comprises a series of newly amalgamated municipalities with mandates significantly larger than those of their predecessors, but with relatively less resources on which to draw. Many municipalities struggle to find the capacity to transform in order to play their newly envisaged developmental role. This capacity, or lack thereof, is not evenly distributed throughout the country and differs significantly by province, category of municipality, conditions of amalgamation and according to the historical tax base of the municipality.

The legal requirements introduced by the Municipal Systems Act for integrated development planning, performance management and public participation, amongst others, have resulted in two notable consequences. Firstly municipalities have been overwhelmed by the amount of change required of them through recent legislation. A lack of capacity in municipalities to transform and comply with legislative requirements has raised the question of whether the requirements of developmental local government are too burdensome for all municipalities to fulfil.

Tapscott (2003) argues that the "preconditions for effective decentralisation of government are not yet in place in all parts of the country and that the policy may, if not redressed in the short run, be setting many local authorities up for failure". While there may, in deed, be a need for asymmetric decentralisation of government as Tapscott proposes, this research will argue that a system of checks and balances (and hence of accountability) can be introduced in a simple, and sometimes rudimentary, form, that can fulfil the legal requirement of the Act within the resource and capacity constraints of municipalities.

Secondly, this requirement has led municipalities to develop a dependency on consultants and their particular proposals for the implementation of performance management systems. Often, the approaches proposed have been used in the private sector and merely on that basis have been offered to municipalities, irrespective of their appropriateness.

Performance management is relatively new to public management theory and local government studies and while there has been some experience of its application internationally, public management theory has not been used significantly to develop an approach to manage the performance of local government.

The issues raised above clearly warrant research that will interrogate notions of performance management in local government while drawing on available local government literature, that will review the legislative and policy framework surrounding it in South Africa. Such research will need to critically evaluate models currently being offered to municipalities for their appropriateness and, if found lacking, to construct the beginnings of an approach suitable for developmental local government in South Africa, and specifically one that takes into account the capacity and resource constraints of municipalities.

Research Hypothesis

This research aims to test the proposition that performance management is both useful and workable for municipalities in South Africa within the context of developmental local government. It is hypothesised that this new management tool is beneficial to municipalities in fulfilling the notion of developmental local government and that there are approaches to the performance management of municipalities that are practically implementable within the resource and capacity constraints that municipalities face.

Methodology

Relevant journal articles, books and websites were consulted in order to provide a theoretical background to performance management in local government, with special reference to the literature on local government performance management in the United Kingdom. The experience of the United Kingdom was selected to provide

an international and historical context to performance management in local government for two reasons. Firstly, despite South Africa's post-colonial status, much of its public sector structure and policy is derived from the British Westminster System.

Secondly, a significant body of the international literature on, and by assumption, experience in introducing performance management to local government, centres around the legislative requirements of the United Kingdom and the experiences of municipalities in fulfilling these legislative requirements. While there has also been significant experience in some municipalities in Australia and New Zealand, these have not arisen out of the introduction of comprehensive national policies or legislation.

Relevant national policy and legislation on the introducing of systems of performance management to local government were also critically reviewed. These included, the White Paper on Local Government (1998), the Municipal Structures Act (1999), the Municipal Systems Act (2000), the Municipal Planning and Performance Management Regulations (2001), and the Municipal Finance Management Bill.

Information was also derived from a pilot programme initiated in 2001 by the Department of Provincial and Local Government, where 26 pilot municipalities were supported in implementing performance management systems from June 2001 until July 2002, ahead of the legislative requirements prescribed by the Municipal Systems Act of 2000. This pilot project was felt to be a valuable source of information on the practicality and effectiveness of local government performance management systems for local government across different provinces and different levels of administrative capacity. Progress reports from municipalities, surveys conducted by the team providing technical support to the municipalities, meetings, seminars and informal interviews with representatives of participating municipalities served as source material for this thesis. Access to this material was facilitated by the fact that the author of this research led a team of consultants to provide technical support to pilot municipalities and to evaluate the programme as a whole.

All provinces selected three municipalities, which were to manage their performance on the basis of indicators applicable to their interim IDPs.

These were a representative mix of municipalities of varying capacity, with an emphasis on category B and C municipalities, but which also included two category A municipalities. Category A municipalities are metropolitan councils, B municipalities are towns and C municipalities are broader district councils. The table below shows the composition of the pilot municipalities. Amongst these municipalities there was a conscious decision to choose both high and low capacity B municipalities to form part of the pilot group.

Table 1 : Pilot Municipalities by Province

Province	Pilot Municipality	Category
<i>Kwa-Zulu Natal</i>	Hibiscus Coast LC	B
	Umvoti DC	B
	Newcastle LC	B
<i>Western Cape</i>	City of Cape Town	A
	Overstrand LC	B
	Garden Route/Klein Karoo DC	C
<i>Mpumalanga</i>	Nkangala DC	C
	Mbombela LC	B
<i>Gauteng</i>	Sedibeng DC	C
	Randfontein LC	B
	Kungwini CBLC	B
<i>Northern Cape</i>	Ga-Segonyana	B
	Namakwa DC	C
	Gariep LC //Khara Hais	N
<i>Free state</i>	Mangaung LC	B
	Maluti A Phofung LC	B
	Northern FS DC	C
<i>North West</i>	Ditsobotla	B

	Kgalagadi DC	C
	Potchefstroom LC	B
<i>Limpopo</i>	Greater Tzaneen LC	B
	Mussina LC	B
	Waterberg DC	C
<i>Eastern Cape</i>	Nelson Mandela Metro	A
	Buffalo City LC	B
	Chris Hani DC	C

In order to assess the appropriateness of current approaches to performance management of municipalities, this research involves a critical review of two models, namely:

- the South African Excellence Model; and
- the Balanced Scorecard.

These models were selected for review, firstly, as they have become very popular particularly in the private sector. Secondly, these models have been actively marketed, at times aggressively, by their creators and agents to local government. Thirdly these two models represent the only two established approaches to performance management currently being utilised by municipalities. The available literature on the balanced scorecard largely reflects on the experiences of the City of Charlotte in North Carolina USA. However, similar case studies were not available in literature on the South African Excellence Model.

In order to review these models, a set of criteria were developed that would describe what an appropriate model for performance management should exhibit, within the context of developmental local government in South Africa. The two models were then reviewed against this set of criteria. As both models were found lacking with respect to the evaluation criteria, an attempt was made to construct a new, and arguably more appropriate, model for developmental local government in South Africa, using both the criteria and the merits of the balanced scorecard. Two

municipalities were selected as case studies were used to assess the implementation of this new approach; these were Mangaung Municipal Council (in the Free State) and Hibiscus Coast Municipality (in KwaZulu Natal).

While both are category B municipalities they represent differing levels of administrative capacity. Mangaung is a large, relatively well-capacitated municipality which was formed through the amalgamation of the former municipalities of Bloemfontein, Botshabelo and Thaba 'Nchu. Hibiscus Coast is somewhat smaller, incorporating the southern coastal area of Kwa-Zulu Natal from Port Shepstone down to Ramsgate. These two municipalities were selected used as case studies as they were the first two to implement the new model for performance management. The model has subsequently been implemented in, at least, the following municipalities: Umvoti Municipality (KZN); Newcastle Municipality (KZN); Amatole District Council (EC); Maluti A Phofung Municipality (Free State); Nkangala District Municipality (Mpumalanga); Mbombela Municipality (Mpumalanga); Ehlanzeni District Municipality (Mpumalanga); However, at the time of conducting this research significant progress had only been made in the introduction of the new model in the Mangaung and Hibiscus Coast municipalities.

Chapter Outline

The next chapter of the thesis reflects on the background to performance management in local government, placing significant emphasis on international experience and approaches in its implementation. In Chapter 3 the emerging South African policy and legislative framework dealing with performance management will be evaluated. Chapter 4 of the report will review the findings of a recent pilot programme on performance management, where 26 municipalities attempted to implement the system before this was required by legislation. Chapter 5 suggests criteria for an effective model of performance measurement in local government and critiques two models currently being marketed to municipalities. Chapter 6 proposes an alternative model for performance management in developmental local government, illustrated by local examples of its implementation. Chapter 7 highlights future challenges facing performance management in local government and Chapter 8 summarises the findings of this research and concludes the thesis.

Chapter 2: Background

In setting the context for an examination of performance management in South Africa, it is important to highlight its public sector origins. Kerley (1994:130) finds that,

"It is not unreasonable to suggest that a concern for the effective management of performance simply reflects and echoes one of the themes that has underpinned conventional management theorising for much of this century – in effect, the proposition that the management process is about setting objectives and then seeking to assess progress towards those objectives".

In 1992 the British Government passed the Local Government Act (1992), which requires the Audit Commission for England and Wales and the Local Authority Accounts Commission for Scotland to direct councils to publish selected performance indicators (Kerley, 1994:140). Kerley notes that the government claimed that this "would promote accountability of local government and help the public to assess the performance of their local authority".

The Audit Commission outlined its plans for developing performance indicators in a publication entitled "The Citizen's Charter – Local Authority Performance Indicators". Kerley (1994: 148) notes that the Audit Commission observed:

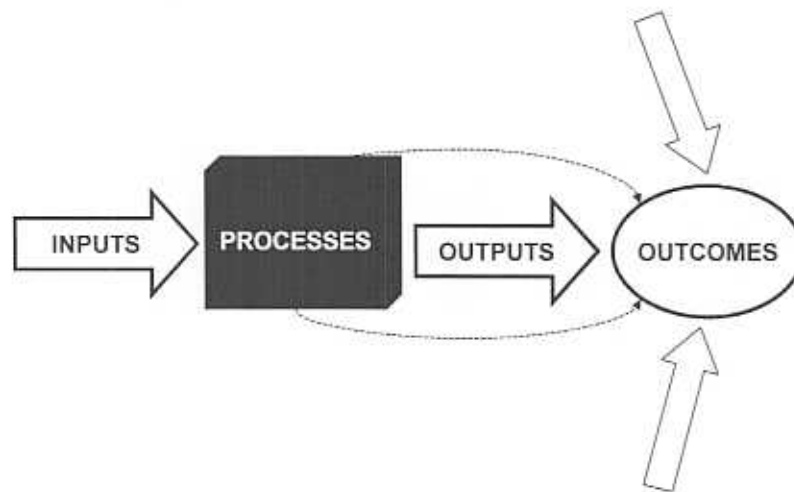
"Indicators must be understandable to the public, and sufficiently objective to provide valid comparisons, but without at the same time excessively simplifying the aim of the service or creating incentives to distort provision in order to perform well on a particular indicator".

This statement by the Audit Commission succinctly captures the important criteria and considerations in selecting local government indicators. However, it is arguable how closely they kept to these criteria in the selection of their indicators.

The initial draft of the Audit Commission contained 150 indicators covering 40 services on which all municipalities were to publish their performance. This was later reduced to 80 indicators, covering only nine services.

In order to critique the Audit Commission's Citizens' Charter, it is important to understand the concepts of economy, efficiency and effectiveness, commonly known as 'The Three Es', contained in the charter.

Figure 1: A Systems Model



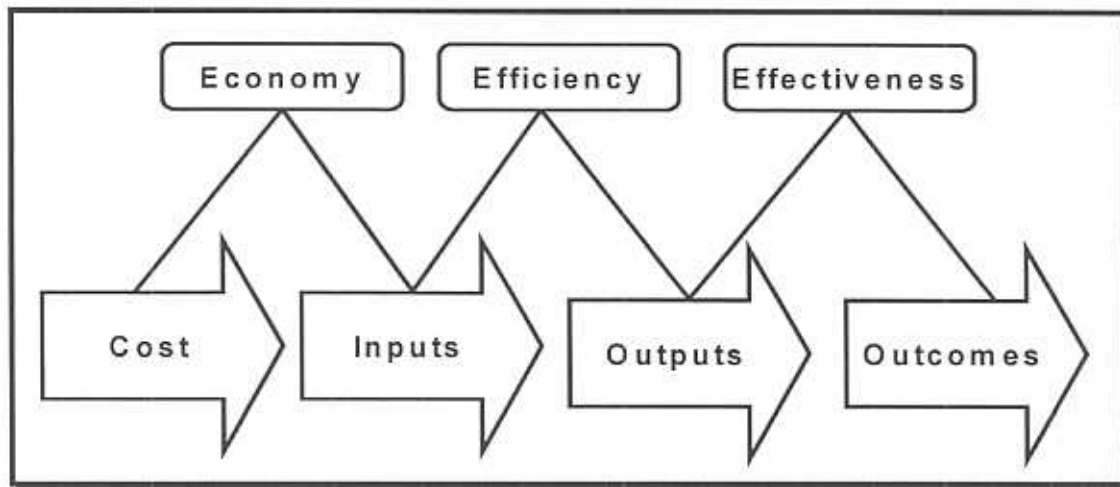
Systems theory, as illustrated in Figure 1, holds that any process in an organisation has inputs, a set of activities, outputs and outcomes. In addition, inputs have costs related to them. If the set of activities is regarded as a 'black box', then inputs are what goes into the process, outputs are the products of the process and outcomes are the effects or impact experienced as a result of both the products and the process.

If a municipality is involved in building low cost houses, for example, then some of its inputs for this process could include land, labour, raw materials and their associated costs. The outputs are most likely to be the number and quality of completed low-cost housing units. Its policy outcome could be to increase the percentage of the population living in formal, safe housing. Some of the process issues will be to consult with potential home-owners on affordability and location, to ensure that new units are suited for those for whom they are intended. It is not inconceivable that, if consideration were not given to the process issues above, that even though a municipality may produce the required number of low cost houses, it may not achieve its intended policy outcomes.

The three E's are directly linked to the systems approach. Economy is seen to be the ratio of input to cost. Efficiency is seen to be the ratio of output to input and

effectiveness is the ratio of outcome to output. Additionally, cost effectiveness is often seen as the overall ratio of outcome achieved to cost.

Figure 2: The three Es approach used by the audit commission



Source: (Rashid, 1999)

Despite the terms economy, efficiency and effectiveness having been used since the early 1980s, they remain poorly understood and are often given different interpretations (Rogers, 1999). Rogers attributes this to four factors:

- there are differences between how the terms are technically defined and how they are used in common parlance (economy is an example);
- the term efficiency has many technical definitions; as Rogers states "(a) rapid trawl of the performance management literature reveals at least nine types of efficiency: input-mix efficiency, productive efficiency, technical efficiency, output-mix efficiency, X-efficiency, allocative efficiency, horizontal target efficiency, vertical target efficiency and Pareto-efficiency" (Rogers; 1999);
- often different people, make the terms mean what they want them to mean. Rogers maintains that this is particularly common when performance terminology like "cost-effectiveness", or its equivalent "value for money", are used as political or managerial slogans or soundbites;
- while most people understand an indicator based on one category of data, there appears to be less comprehension when indicators are composed of ratios of two or more categories of data.

Rogers, furthermore notes that many local authorities in the UK, for whom notions of equity and equality are of fundamental importance, were disappointed that the Three Es ignored measurement of equity and equality in employment and service delivery.

Tichelar (1998: 29), in evaluating current trends in local government performance indicators in the UK, has raised the following issues:

- the Citizen Charter Indicators (CCIs) in the UK are seen to be a set of nationally statutorily prescribed indicators imposed on local government that are often neither relevant nor useful to municipal councils;
- CCIs have overwhelmingly relied on economic measures at the expense of efficiency and effectiveness. CCIs largely measured inputs at the expense of outputs and outcomes;
- indicators were designed by experts and were often too numerous, complex and abstracted from daily reality to be monitored and understood by most citizens;
- the development of indicators originally did not involve the public, often being inaccessible or irrelevant to citizens. (Tichelar, 1998: 29)

The administrative burden of measuring, collating and reporting on nationally determined indicators, whose local relevance was questioned, proved to outweigh the benefits of the Commission's Citizens' Charter.

Edwards (1998) raises the point that some of the measures in the Citizens' Charter were often misunderstood and misinterpreted publicly to convey contradictory conclusions. She adds that the relevance of measures used and their suitability rendered it to be more of an 'auditors' charter' than a 'citizens' charter'.

While the indicators of the Audit Commission's Citizens' Charter have come under a stream of criticism, the indicators developed by municipalities themselves have proven to be more useful. Tichelar (1998) has drawn attention to successful performance management systems that have effectively enhanced democracy and public accountability in particular towns and cities in the UK. He cites the following as features of these successful systems:

- local authorities have developed community plans in which indicators play a central role;

- councillors are increasingly involved in shaping strategy, setting priorities, adopting measures and in reviewing performance;
- locally relevant or "home-grown" indicators are used;
- the public is involved in the choice of performance measure and in reviewing performance;
- performance indicators are simple, understandable and accessible.

The experience, particularly of the UK, in implementing performance management in local government has proven that it does not have to be a fashion or a fad, but it can become a useful tool to municipalities and to citizens, if approached in a manner that fulfils their needs. Because of the danger of inappropriate approaches being used, it is useful to use a framework to evaluate different approaches to performance management.

Much of local government, locally and internationally still functions according to the traditional public sector model, which Paine (1999) reminds us, was "highly rule bound and hierarchical, built around centralised power and authority". She holds that the model was characterised by standardised procedures, rule rights and responsibilities, and the role of officials was to administer these as opposed to manage them.

In response, the new public management approach implemented in Britain, and emulated elsewhere, embraced a managerialism that is also flawed. A major problem with managerialist tendencies is that they are far too concerned with what managers value about performance and how they see performance. It is characterised by an overwhelming emphasis on efficiency and economy, by the use of market-related discourse such as 'customers', as opposed to citizens, residents and users of services, and by the absence of notions of equity in what constitutes a performing organisation. This neo-liberal approach treats local government as a private enterprise and imposes private sector notions of a performing organisation on public organisations. In doing so, it becomes difficult to situate local government's role in the process of socio-economic development.

Sanderson (1998:22) argues that local government performance management needs to move beyond managerialist forms of accountability which emphasise control and

surveillance. He believes that if it does move beyond notions of managerialist control, performance management can;

- contribute to the capacity of local authorities to address complex social and economic problems, if it seeks to capture the full complexity of outcomes, including both the quantitative and qualitative aspects; included in this, is the need for local government performance management to adequately address the equity effects of policies and services; and can
- contribute to the development of 'learning authorities', where organisations seek to understand why and how successes and failures happen and feed back these lessons learnt into the policy and management processes, so as to promote continuous improvement in services for the public.

Managerialism's critics point us in the direction of a new approach to performance management in local government, one that is participative, open and developmental. A participative and open approach, consistent with Sanderson's notion of a 'learning authority', is one where clear mandates are given to management, with the autonomy to manage within organisational policy, and where they are required to report on the fulfilment of their mandate periodically. This approach is intended to empower councillors and managers, while ensuring that lessons learnt from successes and failures assist in the revision of policy and strategy. Implicit in this approach, is the active involvement of citizens and organised civil society in the management of municipal performance.

This developmental approach is characterised by an emphasis on process and the achievement of socio-economic outcomes, while not ignoring outputs and inputs. As Sanderson has suggested, an integral component of this approach is its capacity to capture the complexity of social and economic outcomes, in both their quantitative and qualitative dimensions.

Drawing significantly from literature on the experiences of municipalities in the United Kingdom, this chapter has provided a historical background to local government performance management systems. The chapter has pointed to the fact that a more developmental approach to performance management, as opposed to the traditional rule bound bureaucracy and recent experiments in neo-liberal managerialism, will be more effective in meeting the needs of municipalities and their citizens. The next

chapter explores the emerging policy and legislative framework which served to introduce performance management to South African municipalities.

Chapter 3: The South African Performance Management Framework

South African local government under apartheid, like much of the rest of the public sector and local government elsewhere, emulated what Paine (1999) calls the traditional public sector model. This was excessively hierarchical, rule-bound and built around centralised authority, where very little occurred outside standardised procedures and regulations. This made local government clumsy, inefficient and ineffective.

To make matters worse, South African local government did not have a history of representing or servicing the needs of the majority of its people. At the time of South Africa's first democratic local government elections, the task of transforming local government was, and still remains, an enormous challenge. In attempting to meet this challenge, the newly installed post-apartheid government proposed the notion of developmental local government in the first White Paper on Local Government produced in 1998.

The White Paper on Local Government

According to the White Paper:

"Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives"- White Paper on Local Government (1998).

The White Paper adds that Developmental Local Government is about:

- deepening democracy and participation;
- planning for and addressing community needs in a holistic and integrated way; and
- providing meaningful mechanisms of accountability.

In delivering this the White Paper proposed that integrated development planning should form the basis of planning, delivering and managing the services that local

government must provide to meet people's basic needs and improve their lives. It also proposed the introduction of mechanisms to enhance public accountability such as a system of performance management. At the same time, it proposed the introduction of mechanisms and processes that involve citizens and communities in these processes. With respect to the latter, the White Paper noted that,

"Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritise the amount of time it takes a municipality to answer a query, others will prioritise the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system enhanced" (The White Paper on Local Government; 1998).

Batho Pele

The 1998 White Paper on Transforming Public Service Delivery (Batho Pele), which accompanied and augmented the White Paper on Local Government, put forward eight principles for good public service as follows:

Consultation:

Citizens should be consulted about the level and quality of public service they receive, and, where possible, should be given a choice about the services which are provided.

Service standards:

Citizens should know what standard of service to expect.

Access:

All citizens should have equal access to the services to which they are entitled.

Courtesy:

Citizens should be treated with courtesy and consideration.

Information:

Citizens should be given full and accurate information about the public services they are entitled to receive.

Openness and transparency:

Citizens should know how departments are run, how resources are spent, and who is in charge of particular services.

Redress:

If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made citizens should receive a sympathetic, positive response.

Value-for-money:

Public services should be provided economically and efficiently in order to give citizens the best possible value-for-money.

While the Batho Pele White Paper did not make specific recommendations regarding performance management systems, it set the tone for public service improvement that added impetus to the performance management requirements of the White Paper on local government.

The Municipal Systems Act (2000)

After significant consultation with stakeholders, in particular local government itself, government advanced its policy further and passed the Municipal Systems Act in November 2000. While the Act deals with several aspects of municipal systems, it pays particular attention to public participation, integrated development planning and performance management.

Public Participation

The Act requires municipalities to develop ongoing mechanisms of public participation, which allow citizens, interest groups and communities to interact meaningfully with and influence the running of the municipality. Noting that the insular nature of South African local government has prevented it from addressing the changing needs of its citizens, the intention of this section of the Systems Act was to open municipalities up to the pressure for change asserted by citizens and communities.

Integrated Development Planning

The Act requires all municipalities to develop an integrated development plan for the short, medium and long term. These plans will need to:

- assess the current state of development in the municipal area, identifying vulnerable and marginalised citizens and communities;
- formulate a long term vision for the municipal area over, for example, a 20 year timeframe;
- develop strategies and a set of municipal priorities for the term of office (5years) to take the municipal area closer to the long term vision; at the same time, identify strategies on how to use available resources and how to determine internal transformation priorities that would enable the municipality to deliver on its other priorities;
- develop a Medium Term Income & Expenditure Framework (MTIEF) that will inform the resourcing of the implementation of the 5 year plan;
- align annual budgets to the MTIEF and IDP;
- set performance measures and targets for the priorities in the IDP.

The concept of integrated development planning constitutes a significant departure from previous municipal practices. It requires the development of a holistic long term plan for the entire municipal area, that integrates sectoral plans such as infrastructure, environmental, spatial and transport plans, which were previously developed in isolation from community needs. This process is expected to happen with the meaningful participation of citizens.

Performance Management

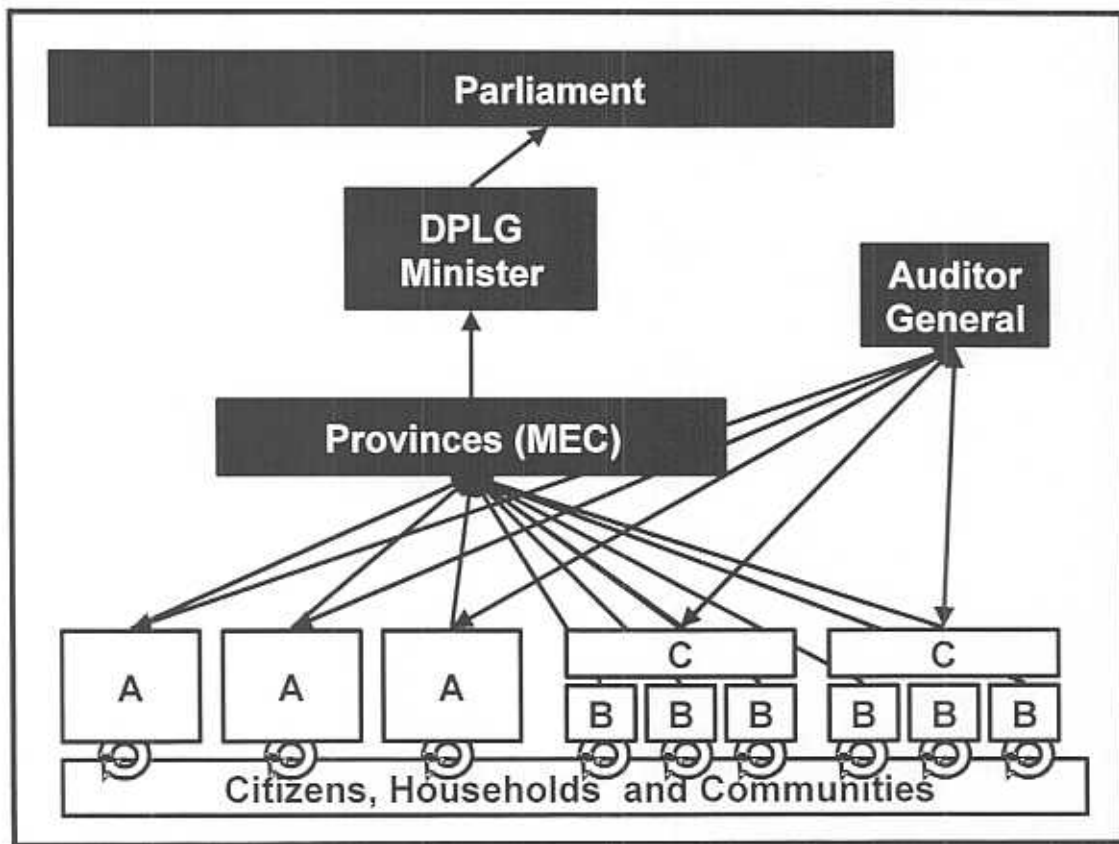
The Systems Act requires all municipalities to:

- develop and adopt a framework for a performance management system;
- identify appropriate key performance indicators for measuring performance, including outcomes and impact, with regard to a municipality's development priorities and the objectives set out in its integrated development plan;
- set *targets*, monitor and *review performance* based on indicators linked to their IDP;

- publish an *annual report* on performance, to be tabled before the municipal council and made available to the public and other spheres of government;
- incorporate and report on a set of *general indicators* prescribed nationally by the minister responsible for local government;
- conduct an *internal audit* on performance before tabling the report;
- have their annual performance report audited by the Auditor-General;
- *involve the community* in setting indicators and targets and reviewing municipal performance; and
- sSubmit the audited annual report to the *Provincial MEC* responsible for local government

While each municipality is supposed to develop their own performance management system that fulfils the above requirements, the figure below attempts to present the structure of the national performance management system.

Figure 3: The National System of Performance Management



Each municipality, irrespective of whether it is a category A, B or C (metropolitan, local or district) municipality, is required to develop a performance management system where it develops a plan, monitors, reviews and improves the plan, together with its citizens and communities. It, in turn, must report on performance to the provincial government. The provincial MEC is required to compile a report on the performance of all municipalities in the province. This report is to be submitted to the national minister responsible for local government, who will consolidate a national report on the performance of all municipalities with regard to the nationally prescribed performance indicators. The report will be tabled before parliament for discussion. The legislation also empowers the minister to publish regulations on performance management that include nationally prescribed performance indicators.

The South African approach to the management of local government performance clearly demonstrates knowledge of the lessons learnt in the United Kingdom. While the approach has not entirely escaped the grasp of managerialism, it does show the beginnings of an approach which emphasises openness, democracy, participation and development. This emphasis is captured in the following ways:

- by the powers it gives citizens and communities in the management of local government performance;
- by the powers it gives councillors in managing the performance of the administration;
- by the flexibility it gives municipalities to adopt different management systems and to choose performance indicators;
- by the emphasis placed on indicators that measure the developmental outcomes of the municipality; and
- by the fact that the approach is not solely oriented to the management of employee performance.

This positive orientation notwithstanding, the construction of the legislation has led to confusion in understanding the relationships between the mechanisms of public participation, integrated development planning and performance management. It is evident that the legislation should not have presented these concepts in three separate chapters of the Act, as many municipalities have, incorrectly, concluded

from the legislation that these are intended to be three separate systems or mechanisms. The three concepts, more effectively, should have been articulated as, one seamless system that requires municipalities to develop a holistic plan for the municipal area that meets community needs, contains clearly measurable commitments and indicators, and mechanisms by which progress against these commitments will be regularly monitored and reviewed. Integral to this process is the involvement of citizens and communities at all stages of developing, monitoring and reviewing the plan.

Municipal Planning and Performance Management Regulations (2001)

In August 2001, Sydney Mufamadi, the Minister for Provincial and Local Government published the Municipal Planning and Performance Management Regulations. These set out in more detail the requirements for municipal performance management systems. The regulations also included nine national key performance indicators, on which all municipalities are required to report, as well as new requirements for both internal and external audit processes of municipal performance

While the performance management requirements of the Municipal Systems Act suggest a strong emphasis on development and public participation, the regulations embody of managerialist tendencies. The Systems Act gives municipalities the flexibility to develop their own approach to performance management, provided they measure and review indicators that are directly linked to their Integrated Development Plan. However, it is felt that the regulations over-emphasise the need to measure efficiency, effectiveness and economy.

Input, Output and Outcome Indicators

The regulations stipulate that in setting performance indicators, municipalities need to develop input, output and outcome indicators. However the way in which the regulations are worded, gives the impression that this needs to be done per objective. This, section 9 (1)(a) reads,

"A municipality must set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives referred to in section 26(c) of the Act".

Developing input, output and outcome indicators for each objective of a municipality is not feasible and it also means that, in attempting to do so, a municipality will potentially develop an unwieldy number of indicators, the measurement of which will be time-consuming and resource intensive and will not necessarily improve performance. For example, if employment equity is a priority of the municipality, the regulations will require that input, output and outcome indicators are developed for employment equity. Municipalities that have attempted to measure input, output and outcome indicators per objective found this exercise extremely difficult and ended up abandoning this approach.

Alternatively, the regulations should emphasise the importance of a municipality measuring its developmental outcomes, as well as its outputs, inputs and processes. This would be more helpful, as it would direct municipalities to ensure that the priorities it identifies, should be at the level of inputs, outputs, outcomes and process.

Auditing

The regulations stipulate that the municipal council should establish an audit committee, where the majority of members are not councillors nor employees of the municipality. A council is also expected to appoint a chairperson who is neither a councillor nor employee. According to the regulations, the performance audit committee must:

- review the quarterly reports submitted to it by the internal audit unit;
- review the municipality's performance management system and make recommendations in this regard to the council of that municipality;
- assess whether the performance indicators are sufficient;
- submit an audit report to the municipal council at least twice during a financial year;

In order to fulfil their function a performance audit committee may, according to the regulations:

- communicate directly with the council, municipal manager or the internal; and external auditors of the municipality concerned;
- 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 exercise of its powers.

These are significant powers which have been given to the audit committee of a municipality, to whom the regulations spell out a comprehensive terms of reference. It is arguable whether this is a managerialist intervention, as the existence of the audit committee implies significant auditing powers must be handed over to members of the public. However the regulations do not state whether reports of the internal auditors and the audit committee are public documents.

Setting of Targets

The regulations state, in section 12, that :

“(1) A municipality must, for each financial year, set performance targets for each of the key performance indicators set by it.

(2) A performance target: set in terms of subregulation (1) must ... (b) measure the efficiency, effectiveness, quality and impact of the performance of the municipality, administrative component, structure, body or person for whom a target has been set;”

Despite the fact that a target is a value that an indicator should relate to at specified times, and hence cannot be used as measure of any of the above, this section of the Act constitutes an attempt to prescribe the form of a performance management system and the criteria which a municipality should value as good performance.

Review of Performance

In terms of the review of performance, the regulations state that,

"The mechanisms, systems and processes for review in terms of sub-regulation (1) must at least (a) identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance indicators and performance targets set by it, as well as the general key performance indicators prescribed by regulation 10".

This requirement not only prescribes how a municipality should conduct a review of its performance, but it is also complicated, vague and, ultimately, is not useful in practice. Municipalities that have attempted to review their performance using this approach have indicated that they have found it to be an ineffective mechanism with which to review performance.

The National Indicators

The prescription of national key performance indicators in the regulations cannot be construed as being a managerialist intervention for a number of reasons. Firstly, only nine national indicators have been prescribed as compared to the British Audit Commission's 80 indicators. Secondly, the 9 indicators prescribed reflect critical national priorities and do not attempt to measure the whole of local government performance. The majority of a municipality's indicators are expected to be identified locally, in consultation with citizens and communities. Thirdly, the indicators relate significantly to inputs, outputs and outcomes, as opposed to the Audit Commission's emphasis on inputs and costs.

The rationale behind the setting of the national key performance indicators relates largely to tracking delivery on key national priorities, facilitating some level of benchmarking or comparison across municipalities and testing the workability of the national performance management system. While the notion of having a small set of nationally prescribed indicators is not problematic, it is in their individual construction that many of them are flawed.

Review of the Applicability Of The National KPIs

The following section reviews each of the national indicators and provides comments generated from the concerns and reactions of pilot municipalities regarding their application.

(a) The percentage of households with access to a basic level of water, sanitation, electricity and solid waste removal.

It is important that national indicators are structured in such a manner that they are commonly understood and interpreted. However, the indicator (a) above lacks clarity about what constitutes a "basic level" of service. The regulations do not provide for a common definition of "basic level". For purposes of uniformity and common interpretation, this concept should be clearly defined.

Access to roads is viewed by many as a basic service. It is proposed that the indicator also incorporate roads on the list of basic services that municipality's performance must be measured against.

The indicator should be divided into 5 separate indicators regarding actual percentage access to each basic service, as opposed to providing composite data for all services being offered. Aggregating this information can often provide a misleading assessment of performance.

(b) the percentage of households earning less than R1100 per month with access to free basic services

The national indicator (b) is not explicit about which basic services are applicable. Instead, this indicator should be modified to express its intention unambiguously by defining those free basic services which municipalities must monitor. Municipalities do not provide all basic services by themselves. For example, ESKOM is the sole provider of electricity in most areas and not municipalities. In such circumstances, some municipalities feel that the indicator requires them to measure progress on a performance area that is not part of their functions, over which they have limited influence, and to which they have limited access to accurate data.

The word *earning* also needs to be clarified since it excludes non-earned income such as pensions or grants and it is not clear whether such forms of income are covered by the indicator. It may also be useful to phrase the indicator in a way that

takes into account inflation. In both of the above two indicators the concept of a *household* must also be defined. Municipalities may define households differently which will make comparisons between them difficult.

(c) The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plans

It has been argued by some municipalities that it will be difficult to determine whether some of their capital expenditure is aligned to the IDP or not. For example, if a municipality is to purchase vehicles and computers as part of its capital programme, it will be difficult to quantify the alignment such purchases have to the IDP.

(d) The number of jobs created through a municipality's local economic development initiatives including capital projects

The indicator is biased towards direct municipal interventions in job creation. Current thinking in local economic development and in national LED policies is to emphasize local government's facilitatory role rather than its direct role in job creation.

There is a further need for clarity as to what level of intervention is necessary by a municipality in order to justify a claim that jobs had been created through its own efforts. For example, if a municipality only processes a land use application for a factory establishment in its area, would the number of jobs generated at the factory be recorded as jobs created through LED initiatives supported by a municipality?

It is suggested that the indicator be reviewed so that it disaggregates jobs created in terms of gender; job status (short term or permanent) and sector of employment. In so doing the terms, *job*, *short* and *long term* must be properly defined to minimise ambiguity.

(e) 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 indicator (e) should be revised to emphasize the *percentage* of black people, women and the disabled rather than the generalised term *numbers*, as currently used in the indicator. Numbers do not tell us how target groups are doing within the total employee complement, which is the intention of the indicator. It is important that this indicator be disaggregated into the designated groups. Aggregating this indicator can lead to a misleading assessment of municipal performance.

(f) The percentage of a municipality's budget actually spent on implementing its workplace skills plan

Indicator (f) does not adequately measure the outcome of implementing the skills development plan. It overemphasizes the measurement of inputs resources (i.e. budget actually spent on implementing a plan) at the expense of the desired outcome (contribution to human resource development). It is proposed that the percentage of the national Skills Levy received in rebate from the LGWSETA (Local Government Workers Sector Education Training Authority) be used as an indicator in addition to the actual budget spent by a municipality. SETA's are credible, recognised and legitimate structures positioned to provide effective monitoring of whether municipalities have adopted a skills development plan and to what degree they have implemented it, while paying careful attention to the quality of training. Under current regulations they refund 15% of the skills levy paid if the organisation has adopted and submitted a skills development plan and up to 50% of the levy paid dependent on the degree to which that plan has been implemented. If indicator (f) is still to be used, it should also be disaggregated to indicate the access which black people, women and the disabled have to training opportunities.

(g) Financial viability as expressed by the following ratios:

$$(i) \quad A = \frac{B - C}{D}$$

Where -

"A" represents debt coverage

"B" represents total operating revenue received

"C" represents operating grants

"D" represents debt service payments (i.e. interest + redemption) due within the financial year;

$$(ii) \quad A = \frac{B}{C}$$

Where -

"A" represents outstanding service debtors to revenue

"B" represents total outstanding service debtors

"C" represents annual revenue actually received for services;

$$(iii) \quad A = \frac{B + C}{D}$$

Where -

"A" represents cost coverage

"B" represents all available cash at a particular time

"C" represents investments "D" represents monthly fixed operating expenditure.

All three aspects of indicator (g), debt coverage, outstanding service debtors to revenue and cost coverage as defined by the formulae above, have been regarded by municipal financial officers as useful in monitoring the viability of municipalities and in the identification of "early warning" signals with regard to financial viability. However, most other municipal officials appear to have been confused by these indicators and were uncertain of the criteria of good performance to be applied to these indicators.

A further criticism of these financial indicators is that they focus mainly on the short-term financial situation of the municipality's financial environment and, to that extent, they will need to be augmented to include medium to long term financial viability indicators.

Some district municipalities have expressed concerns over the relevance of the second financial indicator (ii), due to the fact that local governments do not receive revenue from services but rather collect RSC levies. The national indicators, moreover, are not clear on how they apply to the different categories of local government.

General concerns with the indicators

The national performance indicators ignore issues of gender, despite the fact that gender is a national development concern. To that extent, the indicators could be broadened to cover the impact of municipalities on the lives of women. In addition, where applicable, indicators should be disaggregated by gender. The regulations could also emphasise the need to involve women and women's organisations in the development of indicators and the management of performance.

While the legislation requires municipalities to measure themselves in terms of outputs and outcomes, the national key performance indicators constitute a missed opportunity to bring in broader socio-economic outcome indicators, such as the Human Development Index (HDI), Gender Development Index (GDI) and Gini Coefficient of Inequality. While the traditional formulations of these indices are problematic at a municipal level, Moodley & Bayat (2001) have shown how they can be adapted to be meaningful and useful at a municipal level.

Broader socio-economic indicators will allow municipalities to measure the degree to which, the quality of citizens' lives are being improved and the degree to which national development priorities are being addressed. Indicators like the HDI, GDI and Gini co-efficient, because of their standard formulation, will also allow comparability amongst municipalities, locally and internationally and between municipalities, provinces and the country as a whole.

This chapter has discussed the policy and legislative framework underlying the introduction of performance management to municipalities. It concludes that, whilst flawed in parts (particular in respect to the regulations), the performance management system constitutes an important means for monitoring and evaluating

the developmental role of municipalities. In the next chapter, the practical implementation of this approach in 26 pilot municipalities is examined to ascertain how effective and implementable this approach can be.

Chapter 4: The Findings of the National Pilot Programme

In June 2001, the Department of Provincial and Local Government initiated a pilot programme where 26 pilot municipalities were supported in implementing performance management systems for a twelve month period, ahead of the legislative requirements prescribed by the Municipal Systems Act (2000). The pilot municipalities were required to implement a performance management system that monitored and reviewed their progress in terms of their interim IDPs. The section below provides details of the experiences of these municipalities. In presenting these findings, it is important to draw attention to some of the limitations of the pilot programme.

Firstly, pilot municipalities were not required to implement performance management systems exactly according to the legislation. Because of delays in getting the pilot programme running, the Department of Provincial and Local Government decided that public involvement in the pilot exercise and auditing of performance was not required.

Secondly, performance was to be managed and evaluated according to the Interim Integrated Development Plans, which were ad-hoc planning documents prepared for the year in between the last local government elections and the adoption and implementation of their formal, full-term IDPs. The quality of these interim planning documents, understandably, was severely limited in almost all pilot municipalities.

Thirdly, pilot municipalities were expected to conduct this interim exercise while also developing and adopting their formal IDPs. This meant that these two processes, although not unrelated, had to compete for organisational capacity and attention. Where organisational capacity was lacking, it was understandable that the formal IDP process received priority.

Finally, unlike other municipalities, the pilot group had to design and develop their performance management systems while implementing them at the same time.

The above four factors limit the extent to which the findings of the pilot programme can be extended to other municipalities about to introduce performance management systems. However, it is still felt that the lessons learnt through this exercise are of direct relevance for the future of local government performance management in South Africa.

The Municipal Systems Act, Municipal Planning and Performance Management Regulations (2001) and the guidelines provided by DPLG suggest the following elements of an approach to performance management in local government:

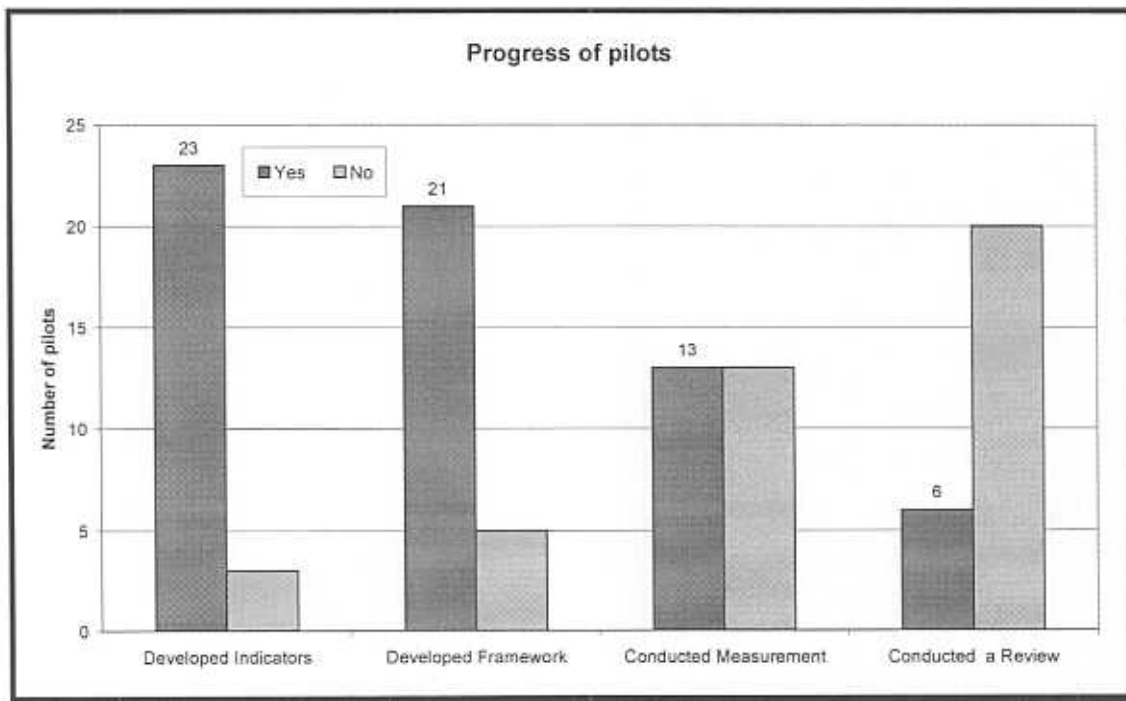
- the identification of stakeholders to be involved in the PM system and in the public participation process (this was an optional requirement for the pilot exercise);
- the establishment of institutional arrangements to develop, implement and maintain a PM system;
- the development of a framework for PM in the municipality (an optional requirement in the pilot exercise);
- identification of indicators and the setting of targets;
- measurement, analysis, reporting and review of progress; and
- auditing of performance (an optional requirement in the pilot exercise).

The next section evaluates the usefulness of this approach, in the light of the experiences of the pilot municipalities.

Evaluation of the Performance Management Approach

The pilot municipalities varied in the success which they achieved in implementing performance management systems. Figure 4 below shows that while most pilot municipalities were able to design and develop a system, including the adoption of a framework and the setting of indicators, only half had measured their selected indicators and a small minority had conducted a review of their performance by the end of the pilot programme.

Figure 4 : Progress of Pilot Municipalities in Implementing a Performance Management System



Establishing Institutional Arrangements

The establishment of institutional arrangements proved to be critical in the pilot programme. Where municipalities had successfully begun implementing performance management, much of the success can be attributed to the emphasis they placed on sound institutional arrangements.

Figure 5: Progress made by pilot municipalities in establishing institutional arrangements

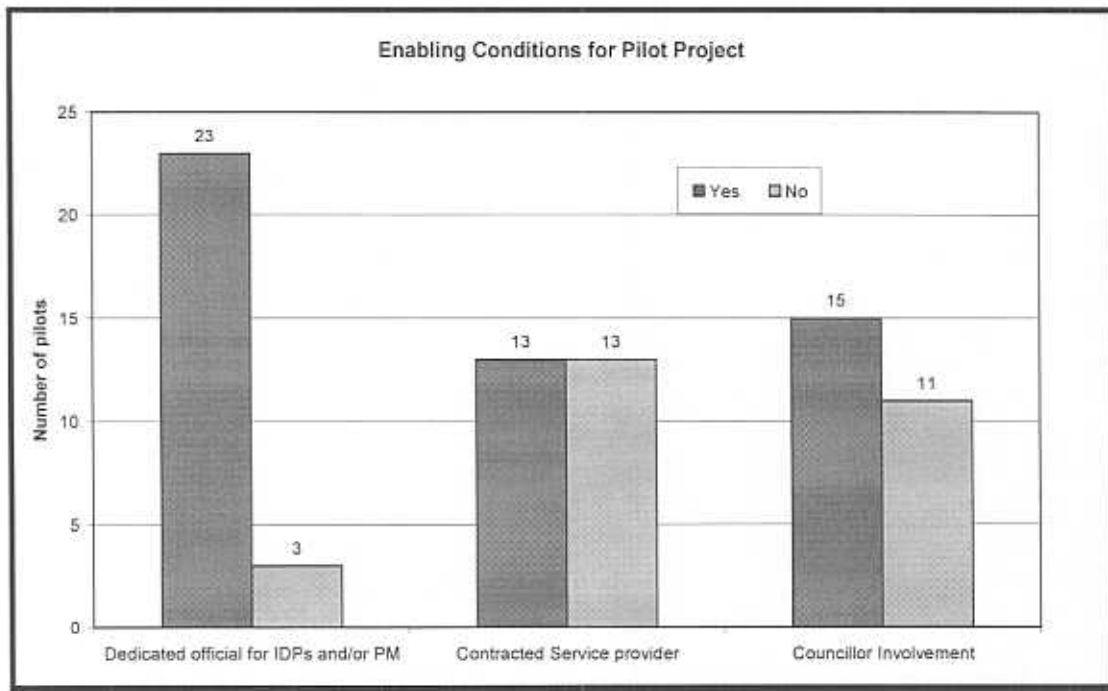


Figure 5 above shows that almost all municipalities appointed an official who was dedicated to running their IDP and performance management processes. It also shows that half of the pilot municipalities contracted in external services to develop their performance management systems. The graph further shows that there was councillor involvement in a little over half of the cases, whereas legislation requires the process to be driven by councillors.

Where municipalities set up the same administrative systems for their IDP process and performance management programme, this arrangement tended to be more effective and sustainable than other approaches. Critical to the successful implementation of performance management has been the dedication of at least one senior official to the IDP and PM processes. This arrangement has worked most effectively where this senior official is located in the office of the municipal manager, such that co-ordination of this municipal-wide process can take place centrally and authority. There has been a sense, however, that in the case of larger municipalities, the assignment of only one official to this area of responsibility is insufficient and has led to the overloading of responsibilities.

In general, it must be noted, smaller municipalities struggled to dedicate a full-time official to these processes. In these smaller municipalities, performance management was often co-ordinated by an official who had other onerous responsibilities.

Legislation requires councillors, particularly the Executive Mayor or Executive Committee, to play a leading role in the development and implementation of a performance management system. In many pilot municipalities this did not take place, as officials designed and developed the performance management system with little involvement from elected public representatives. However in a few municipalities, councillors were clear about their ownership of the performance management system and played a keen and active role in its development and implementation, ensuring that it met their needs.

In municipalities where the executive mayor or municipal manager took ownership of and championed the performance management system, there was a significant increase to the momentum and sustainability of PM implementation.

For district municipalities, the successful introduction of a PMS has hinged on the extent to which they have been able to coordinate the process with B municipalities in their area. This is the case because very often a category C municipality will be measuring the same performance indicators as Category B municipalities and will be involving the same constituencies in public participation mechanisms. It thus stands to reason that a coordinated approach to the management of performance will be more efficient, effective and sustainable.

Municipalities have in cases adopted different institutional arrangements for the design and development of a performance management system and for the implementation and ongoing maintenance of such a system. Because the institutional arrangements for these two phases differ, it was often necessary for municipalities to revisit their institutional arrangements at the time of implementation.

Preparing and Involving Stakeholders

The demands of a process to involve stakeholders was underestimated in the pilot programme. While the involvement of the public was not a requirement of the pilot programme, obtaining buy-in from councillors and senior to middle management, proved to be crucial in the implementation of performance management.

The act of committing policy makers and officials to a work programme that is tangible and measurable, to the objective measurement of performance and to regular public reporting publicly on that performance, constitutes a fundamental shift in organisational culture of most local governments in South Africa. To that extent, it is unrealistic to expect that this new approach to management will be adopted without any resistance within municipalities.

The experience of pilot municipalities indicates that it is useful to conduct a fully conceptualised change management intervention when introducing a performance management system. This would aim to secure the buy-in of all key stakeholders, to clarify roles and delegate responsibilities.

While no pilot municipality can claim to have done justice to the process of preparing stakeholders, some of the following steps were adopted by different municipalities:

- intensive workshops for management;
- workshops for councillors;
- publication of explanatory materials;
- workshops for the IDP forum;
- workshops for specific groups, such as the Gender Forum and Labour Forum;
- publishing of the performance management system for comment in local community newspapers;
- sending stakeholder representative on training courses;
- acquiring support from external sources of expertise to guide change management processes.

The timing of the pilot programme did not allow for the adequate preparation of even internal stakeholders. As a consequence, in many municipalities there was distrust of the process by middle management and resistance when it came to measuring and reporting on performance.

This distrust and resistance was exacerbated where there was not a clear distinction between organisational and employee performance management. During the early stages of the pilot programme, in particular, many municipalities misunderstood the

focus of the pilot programme on organisational performance and focused instead on systems of employee performance management.

Developing a Framework for Performance Management

While a framework for performance management was not a requirement for the pilot exercise, most municipalities did develop frameworks that set out how the process of performance management was to take place in the municipality. The evaluation workshop reports from each municipality indicate that it was useful to have a policy document that set out how the system was to operate and assigned responsibilities to different parties for the implementation of the pilot performance management system.

Municipalities developed these frameworks with varying degrees of participation from key stakeholders. Frameworks that were developed with extensive stakeholder consultation ensured more buy-in and commitment to implementation of the PMS.

Some of the pilot municipalities also developed a comprehensive framework for the implementation of their formal IDPs. These municipalities indicated that the development of a framework for the pilot exercise assisted in the completion of a comprehensive frameworks for performance management. Such frameworks were most effective where:

- the performance management and IDP process were integrated;
- performance management was conceptualised as a planning and management tool and not as an additional requirement to burden managers;
- it was written simply and in plain language;
- it remained a practical document; and
- it contained a detailed action plan

Identifying Indicators and Setting Targets

The first major obstacle that pilot municipalities had to overcome was that of identifying indicators. The pilot programme stipulated that indicators should be identified for the Interim Integrated Development Plan (IIDP). The IIDPs of pilot municipalities, and, by assumption, of most other municipalities, were poorly

constructed plans that were merely prepared to fulfil a national requirement. Very often, these documents would not reflect the development priorities of the new municipality or its amalgamating entities and merely comprised a list of projects already underway in the municipality. It therefore proved extremely difficult to identify the priorities in a municipality's IIDP, as a means to identifying key performance indicators.

The timing of this process also proved problematic. Pilot municipalities were required to identify indicators for their IIDP and set appropriate performance targets, and, simultaneously, to develop their formal IDPs, a process which also included the identification of indicators and the setting of targets. Faced with limited administrative capacity to run such processes, many municipalities felt that the focus on the interim IDP was a waste of time and resources. As a consequence, some municipalities chose to focus solely on indicators for their formal IDPs.

Other municipalities, which had started their pilot programmes earlier, were able to identify a limited number of interim priorities, where it was possible to measure, report on and review performance during the interim period. Some municipalities selected priorities for this interim period, according to the following criteria:

- they had to be budgeted for in the 2001/2 budget;
- they had to be a priority for all amalgamating municipalities;
- they would be likely to remain a priority for the formal IDP;
- they would be subject to significant improvement in the interim period.

Once pilot municipalities were clear on the priority areas on which their performance was to be managed in the pilot exercise, it was an easier task to construct at least one clear objective for each priority area. Once clear objectives had been set, it was possible to identify indicators. Almost all the pilot municipalities used the national indicators in the set that they selected.

However, the pilot municipalities which followed the regulations specified in the Act, and which required them to identify input, output and outcome indicators for each priority area, eventually had to abandon this process as they felt that these requirements were complicated and confusing, and ultimately of little use to the

organisation. This problem was dealt with in more detail in the preceding section on regulations.

The limited availability of management information imposed a severe constraint on the ability of municipalities to identify good indicators. In order to fill some of the information gaps identified, some municipalities are planning to conduct citizen satisfaction surveys and employee satisfaction surveys on an annual basis. In this regard, there are two major areas in which municipalities will require support. Firstly, they will need support in the development of good management information systems, internal to the organisation. Secondly, there is a need for an annual national survey that provides statistically significant data at a municipal level. Such a survey will, significantly fill the information gap at municipal level; will cost less on the basis of economies of scale; will allow greater comparison between municipalities; will ensure public input into national indicators; and will provide useful planning information for national departments

Measuring, Analysing, Reporting and Reviewing Performance

While many municipalities have designed processes for measuring, analysing, reporting and reviewing their performance, in practice, very few ensured that this process was followed. While different problems appear to have affected municipalities, below are some of the reasons cited for this shortcoming:

- an overwhelming emphasis in the conceptualisation of the pilot programme on the identification of indicators and the setting of targets, left municipalities with the feeling that they had implemented a performance management system if they got that far;
- in some municipalities, councillors played a minimal role in the pilot project and it was difficult to subsequently involve them in the review stage;
- in most municipalities, middle management tended to resist committing to explicit targets, to measuring the performance of their departments and to reporting in the required formats on time;
- the formal IDP process ran concurrent with this process and competed for organisational attention; quite correctly it required, and at most municipalities received, the full attention of the organisation. It proved to be difficult for these

municipalities to be consumed in developing and adopting their full-formal IDPs, while at the same time measuring, reporting and reviewing their performance against their interim IDPs.

Auditing Performance

While pilot municipalities were not required to put in place audit mechanisms in the pilot period, a few municipalities did set up audit committees. It is, however, too early to assess the functioning of these audit committees, as they are not as yet fully operational. Training of internal audit staff as well as members of the performance audit committee has been identified as a need for all municipalities.

The experiences of the pilot programme have demonstrated that the broad approach to municipal performance management is workable. Its real usefulness, however, can only be meaningfully evaluated in forthcoming months. Nevertheless, some of the emerging lessons learnt at a national level are as follows:

- that the dominant organisational culture at municipalities is the most severe obstacle to the effective implementation of performance management
- the management information available at municipalities severely limits the choice of good performance indicators
- that municipalities, particularly those with little capacity, need ongoing support in setting up performance management systems and management information systems; at the same time, however, it is evident that the introduction of a performance management system adds to rather than detracts from capacity in the organisation.

In assessing the degree to which the national approach to performance management is capable of implementation across a selection of municipalities of differing capacities, it can be concluded that the broad approach is workable, despite the existence of flawed regulations that are in need of revision. However, while the broad approach to performance management is workable, municipalities have indicated the need for an appropriate model for performance measurement of local government.

The next chapter develops criteria for an appropriate model for developmental local government in South Africa and evaluates the appropriateness of two popular models currently in the public domain.

Chapter 5: The search for a suitable model

A model for performance measurement is a central component of any performance management system. Such a system should be able to address the questions which follow:

- *"How do we manage performance?"* The "how" of performance management alludes to the set of activities that need to take place to manage performance, clarity as to when they will happen, who will conduct them and what the consequences will be. These activities relate to the planning, monitoring and review of performance.
- *"What do we measure about performance?"* This relates to those aspects of performance around which the organisation plans, monitors and reviews; they should be able to tell us whether an organisation is performing well. Solely measuring a set of financial indicators or the degree to which staff training has occurred is insufficient in telling us whether the organisation is performing well.

The term model is used in this context to mean an organising framework for what we measure about performance. While all models differ in the aspects of performance which they prioritise, to manage and measure, most models rely on clearly stated performance areas, objectives and indicators. It is in how they organise these objectives and indicators into performance areas and which performance areas they prioritise and value, that they differ significantly.

Uses of Models for Performance Measurement

Models have proved useful in performance management for the reasons presented below.

Simplicity

A good model should organise simply, into a set of key performance areas, what would otherwise be a long list of indicators aimed at assessing how well an institution is performing.

Mapping of Inter-relationships

Models can map out the inter-relationships between different areas of performance. These inter-relationships relate to the extent to which poor performance in one area would lead to poor performance in other related areas and conversely so. These inter-relationships help in both the planning stage and the review stage and, particularly, in the diagnosis of causes of poor performance. In this way models facilitate learning about performance.

Alignment to the strategic planning methodology

A good model will align the processes of performance management to the strategic planning processes of the organisation. It will ensure that strategic plans are translated into operational performance plans which will be monitored and reviewed. The categories of key performance areas provided by a model should relate directly to identified priority areas of the strategic plans of the organisation. It is also very important that the language and concepts used in the performance model be the same as that of the strategic plan, to avoid possible ambiguity and confusion.

What makes a good model for the measurement of local government performance in South Africa?

Taking account of the legislative requirements and the resource and capacity constraints experienced by municipalities, this section proposes a set of principles and criteria for an effective model of local government performance management in South Africa. This set of principles and criteria will be central in informing a critical evaluation of models currently being marketed to South African municipalities.

The Ethos of Developmental Local Government

A model for local government performance management should ensure that it:

- embraces a holistic and integrated view of performance of local government;
- can function as a basis for accountability between the municipal council and its citizens and communities; the administration and its council and councillors; departments/functions and executive management;
- is simple and accessible, encouraging citizen and community involvement.

Integrated Development Planning

An effective model for performance management in local government should also accommodate:

- measures for identified developmental outcomes based on recognised needs and the long term developmental vision for the municipal area;
- measures for service delivery strategies and priorities to effect the achievement of developmental outcomes;
- measures for institutional transformation priorities and the management of resources to enable service delivery strategies;
- measures relating to the financial strategy of the organisation and its Medium Term Income and Expenditure Framework.

The model should enable local government to continuously assess the needs of citizens and communities, whether these are being addressed, whether service delivery strategies are being fulfilled and whether they are having the desired impact on these development outcomes. In other words, a good model should not only tell us whether we are "doing things right", that is fulfilling our service delivery strategies, but also whether we are "doing the right things", which is whether our strategies and policies are having the desired effect (Kerley, 1994). A performance model for local government should be a catch-all for all the priority performance areas. There should be no priority that cannot be accommodated in the model. The model must be holistic and integrated.

Public Participation

The Municipal Systems Act requires the public to be involved, not only in determining priority areas, but also in the identification of suitable indicators, the setting of targets and in the review of annually reported performance on these indicators. The municipality will have to develop mechanisms that will allow such participation, some of which are suggested in the IDP process. The public can be involved in surveys, feedback mechanisms, by means of meetings with community organisations and fora and public hearings for all citizens in the places in which they live and work.

Often, for a variety of reason, the poor are marginalised and excluded from participating in the affairs of local government and from making their views heard. It

is important in any public participation process to acknowledge and accommodate the poor and excluded. It is therefore crucial for a municipality to put the majority of its public involvement resources into ensuring that the excluded poor are drawn in to participate and every effort is made to involve them.

A good model for local government performance will be simple and accessible, enabling citizens and communities to participate in the processes of performance management. Such a model should accommodate the perceptions and aspirations of citizens and should, as far as possible, be structured in such a way as to relate to the daily lives of citizens.

Business Planning

Planning for the activities of different departments, functional areas or business units should be closely linked to the IDP. The performance of these departments, functional areas or business units can be managed in terms of their business plans, provided that the methodology of these business plans is coherent with, if not the same as, the model being adopted for performance management of these entities. It will thus be important that the methodology and format of business planning, relates closely to the chosen performance management model. An effective model for local government performance, furthermore, should ensure that all performance areas and indicators selected can be cascaded into employee performance contracts where they exist.

Principles and Criteria for a good local government model

In summarising the above requirements of a South African local government model for performance management, it is possible to arrive at a set of principles and criteria by which to evaluate prospective models.

Principles	Criteria
1. Simplicity	Is the model simple and accessible to all potential users?
2. Relevance	<ul style="list-style-type: none"> ▪ Is the model and its categorisation of performance areas relevant to local government in South Africa and relevant to the lives of citizens in municipal areas? • Does the model capture the long-term vision and development outcomes of the IDP? • Does it accommodate the service delivery strategies and priorities of the IDP? • Does it capture the institutional transformation, resource management and financial management priorities of the municipality?
3. Objectivity and Reliability	Does the Model rely on objective and reliable measures?
4. Facilitation of learning	<ul style="list-style-type: none"> • Will the model assist municipalities in identifying areas of poor performance and determining causes of poor performance? • Will the model tell us whether we are "doing things right" and "doing the right things"?
5. Replicability	<ul style="list-style-type: none"> • To what degree can the model be cascaded to functional areas and departments • To what degree can the model be used in employee performance management

The criteria for an effective model for developmental local government will be used to evaluate two models currently being marketed to South African local government, from the private sector, namely, the South African Excellence Model and the Balanced Scorecard

The South African Excellence Model

The South African Excellence Model, developed by the South African Excellence Foundation, was born out of a history of experience in excellence models internationally. Early in the 1980s, Total Quality Management, a philosophy of continuous improvement in the private sector, arose as a reaction to the competitiveness of Japanese products in global markets. Two significant excellence models, associated with awards, were developed in line with Total Quality Management, to ensure that a total quality approach was adopted throughout organisations.

The Malcolm Baldrige Awards (USA)

The Malcolm Baldrige National Quality Award is an annual award to recognise US companies (which have applied for the awards), for business excellence and quality achievement. Martinez, Minor and Montesinos (2001) see the purpose of these awards as being to promote awareness of quality as an increasingly important element in competitiveness, understanding of the requirements for performance excellence, and sharing of information on successful performance strategies and the benefits derived from the implementation of these strategies.

The Baldrige Awards criteria are composed of seven categories which represent a model for performance. They are:

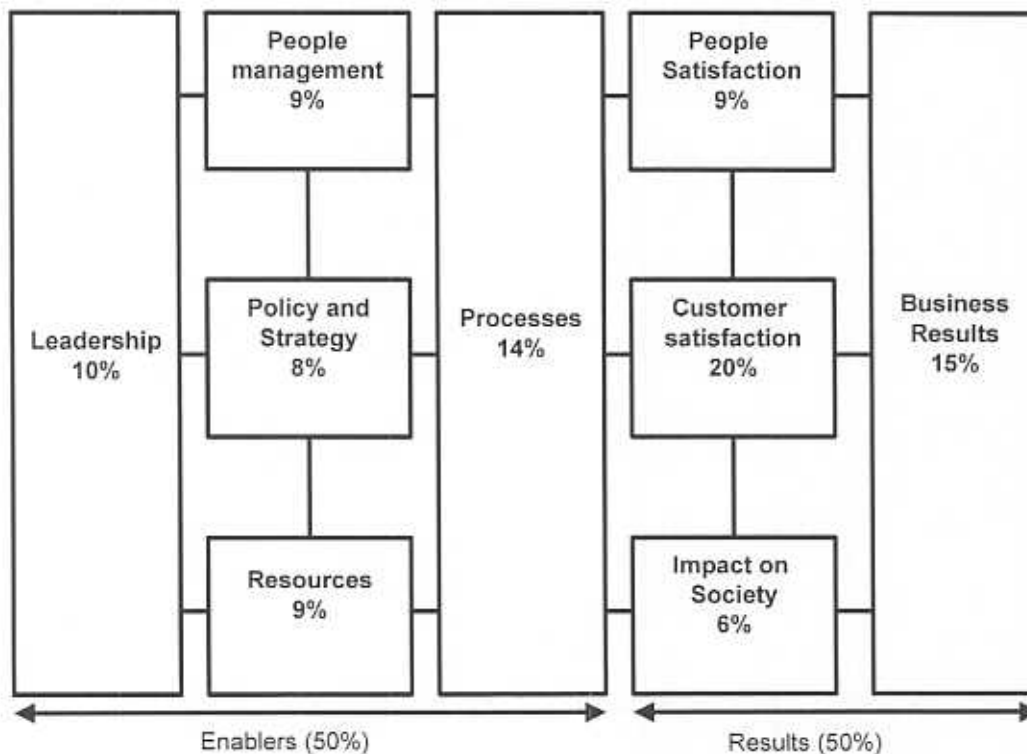
- (a) Leadership;
- (b) Strategic Planning;
- (c) Customer and Market Focus;
- (d) Information and Analysis;
- (e) Human Resource Focus;
- (f) Process Management; and
- (g) Business Results.

The EFQM Model (Europe)

In similar fashion, the European Foundation for Quality Management developed the European Quality Award with the same intention as the Baldrige Awards. The

EFQM, however developed their own model called the EFQM Model for Business Excellence. This, according to Wilkinson and Dale (1999), intended to show *that customer satisfaction, employee satisfaction and impact on society (stakeholder satisfaction) are achieved through leadership driving policy and strategy, the management of people (employees), and the management of resources and processes, which will ultimately lead to improved/excellent business results.*

Figure 6: The EFQM Model for Business Excellence

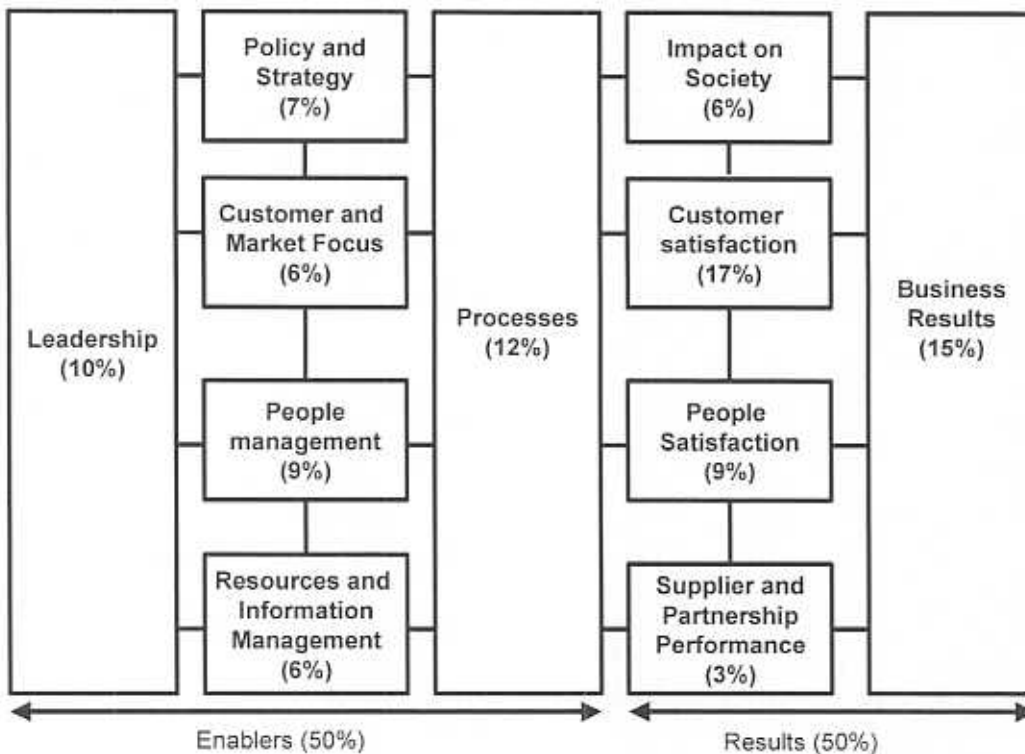


The South African Excellence Foundation recently developed the South African Excellence Model, which, it claims, incorporates the best of the EFQM and Baldrige models. Their main aspiration, according to Van der Watt et al, is to "manage and encourage continuous performance improvement through the use of their model so as to primarily enhance South Africa's global competitiveness ranking". (Van der Watt, van Wijck and von Benecke; 2000).

Major Features

The South African Excellence Model is based on the following premise (van der Watt, et al, 2000): "Customer Satisfaction, People Satisfaction, Impact on Society and Supplier and Partnership Performance are achieved through Leadership driving Policy and Strategy, People Management, Resources and Information and Processes leading ultimately to excellence in Business Results."

Figure 7: The South African Excellence Model



Similarly to its European and American equivalents, the SA excellence model has an award system associated with it that recognises the best performing organisation according to criteria derived from the above categories. Organisations undergo a period of self-assessment, by scoring themselves according to the set criteria. High scoring organisations that apply for awards are audited by a panel and an annual award is then decided upon. The greatest strength of this model lies in the international uniformity of focus areas and criteria. These allow international benchmarking with other organisations to both measure and foster competitiveness.

An Evaluation of the South African Excellence Model

Simplicity

The Excellence Model is not as simple and accessible as other models. It can be argued that there are too many focus areas to prioritise. Furthermore, some focus areas such as Leadership and Policy and Strategy can become very complex at the level of actual indicators or criteria.

Relevance

This is where the most significant shortcoming of the excellence model can be found. In the model, the primary driver of performance is competition with other organisations using the same criteria.

It is acknowledged that there is some role for competition within developmental local government, either amongst municipalities, or between municipalities and the private sector. However, the capacities of municipalities, the challenges faced by each municipality and the issues they prioritise differ significantly. Municipalities competing with each other on the same criteria, under sharply diverse conditions and divergent development and organisational priorities will, unfortunately, not prove a useful base for performance comparison.

Secondly, the excellence model is written in a discourse that is not very useful to the public sector. It is difficult to apply the terms "Customer and Market Focus", "Customer satisfaction" and "Business Results" in a public management context. Not only is the discourse inappropriate, but the weightings given to some of these categories are highly inappropriate for local government. "Business results" is given the highest weighting, and impact on society is almost given the lowest weighting. The architecture of the excellence model leaves significant room for adaptation for the public sector. While the excellence model appears to capture all inputs, processes, and outputs, the only outcomes that it measures is satisfaction of stakeholders.

The discourse of the excellence model differs significantly from that of the IDP or developmental local government. The IDP is about assessing community needs, identifying developmental outcomes that address those needs, prioritising services that would contribute to those developmental outcomes within resources constraints, ensuring good governance and public participation. While the excellence model is comprehensive, holistic and integrated, its architecture does not assist us in the execution of tasks related to the IDP.

Objectivity and Reliability

While it is understood that the excellence model is internationally accredited and is used for international benchmarking, its measures should be objective and reliable. Given the difficulty in finding objective and reliable measures for leadership, policy and strategy, it is doubtful that the criteria used could be objective or reliable. It would

also be necessary to fully understand exactly what self-assessment means in reality, in order to determine the overall objectivity and reliability of the model.

Facilitation of Learning

The excellence model is marketed as a diagnostic assessment tool that would enable an organisation to assess its performance objectively against a number of internationally recognised criteria; identify the organisations strengths; and Identify and single out the organisations areas of improvement

The excellence model, however, does not sufficiently measure outcomes as opposed to output, other than general stakeholder satisfaction. The excellence model may be in a position to tell us whether the organisation is "doing things right" but may not be able to tell whether its "doing the right things".

Replicability

There is no evidence to confirm that it is possible for the excellence model to be cascaded to different departments, functional areas and business units, nor has the excellence model been linked to any form of employee performance management system.

The South African Excellence Model's complexity, its reliance on competitiveness between institutions, its inappropriate discourse and areas of emphasis, and its inability to accommodate the processes of integrated development planning, lead to the conclusion that it is not suitable for local government.

The Balanced Scorecard

The Balanced Scorecard, originally thought to be a fad of the 1990s, still remains popular in the private sector and has increased in popularity in the public sector internationally as a basis for performance management.

Major Features

Conrad Viedge (2000) calls the Balanced Scorecard a "strategic management system that operationalises the company's strategy and directs the energies and abilities of people on achieving the outcomes that are important to customers". Olive, Roy and Wetter (1999), in identifying the need for a Balanced Scorecard, note that traditionally performance has been measured in monetary terms. However, they

maintain, performance management, more especially in the public sector, cannot rely on a monetary measurement of performance. "We have to do more to describe what we expect of an operation, and how well our expectations are being met." (Olve et al, 1999)

Developers of the Balanced Scorecard, Robert Kaplan and David Norton, hold that no longer can the measurement of performance rely on solely traditional financial measures, or on operational measures. Both are required for a holistic assessment of performance. They argue that "the complexity of managing an organisation today requires that managers be able to view performance in several areas simultaneously". (Kaplan and Norton; 2001)

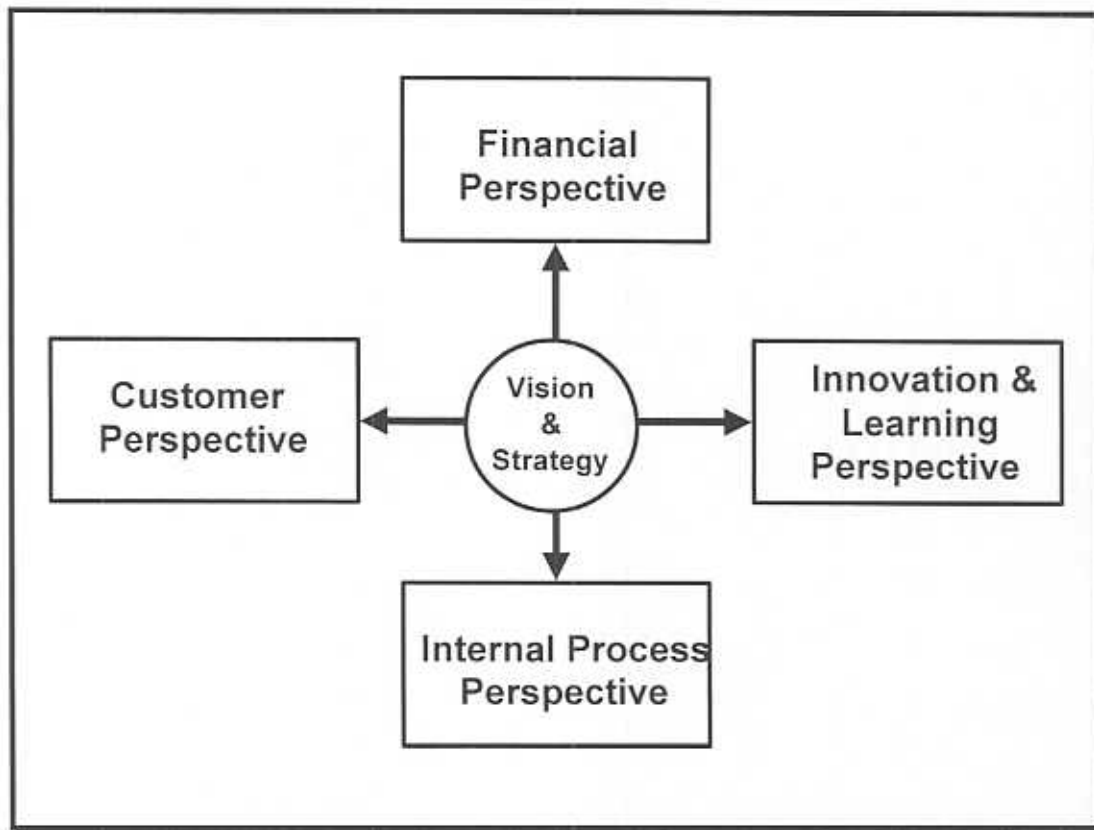
The balanced scorecard examines an organisations performance from four perspectives:

- a financial perspective that asks "how do we look to shareholders?"
- a Customer Perspective that asks "how do customers see us?"
- an Internal Process Perspective that asks "what must we excel at internally?", as seen by managers;
- an Innovation and Learning Perspective that asks "how can we continue to improve?"

Each of these perspectives is intended to categorise clearly stated objectives and indicators by which the achievement of those objectives will be measured.

To give an example of how these perspectives work, a hypothetical soft drink manufacturer may have *annual profit* as one of its indicators in the financial perspective, *market share*, *customer satisfaction* or some measure of brand loyalty as an indicator of customer perspective. It may have operational indicators like the number of litres of the soft drink sold, sales per staff member, litre produced per staff member in its internal business processes. In its innovation and learning perspective, it may have indicators like the percentage of employees time spent on training opportunities or percentage of its turnover it spends on research and development.

Figure 8: Kaplan and Norton's Balanced Scorecard



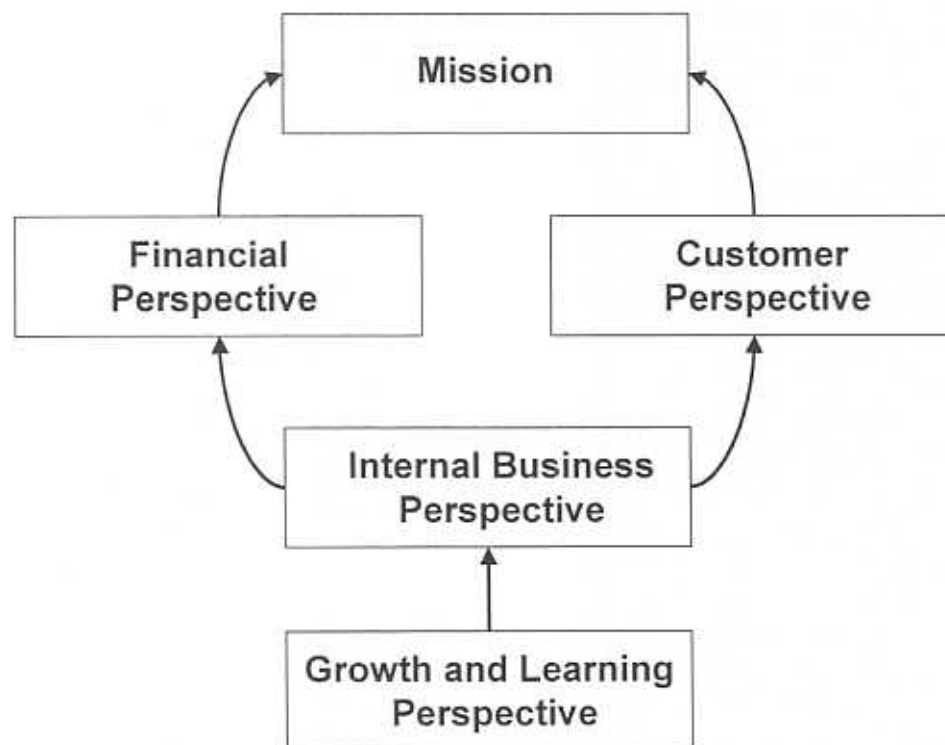
For Kaplan and Norton, the customer, internal process and innovation and learning perspectives cover the operational measures. The measures in the financial perspective, they illustrate, tell the results of actions already taken. The financial measures reflect the outcomes of past operations. While Kaplan and Norton designed the financial perspective to reflect "yesterday's" performance, they designed the customer perspective and the internal process perspective to reflect "today's" performance and the innovation and learning perspective as a window into "tomorrow's" performance. There is little doubt that the Balanced Scorecard is an important and useful development for the management of performance, particularly in the private sector.

Kaplan and Norton (2001) have acknowledged some of the shortcomings of the Balance Scorecard in its application to the public sector. They admit that having the financial perspective at the top of the hierarchy is inappropriate for the public sector, as financial success is not the primary objective of these organisations. Furthermore, they suggest that the term "customer" may be inappropriate as there is a group that

funds the activities of the organisation and a group that receives the services of the organisation.

Kaplan and Norton have modified the architecture of the Balanced Scorecard to make it more appropriate for the public sector. They assert that at the top of the hierarchy, the financial perspective needs to be demoted in favour of an overarching mission statement. "For a private sector company, financial measures provide accountability to the owners, shareholders. For a non-profit or government agency, however, the financial measures are not the relevant indicators of whether the agency is delivering on its mission. The agency's mission should be featured and measured at the highest level of its scorecard", (Kaplan and Norton, 2001)

Figure 9: Kaplan and Norton's revised Balanced Scorecard for the Public Sector



The reasons the balanced scorecard is advocated is that:

- it is a holistic and multi-perspective measure of performance;
- it relies on clearly stated objectives and empirical indicators;

- it is developmental in approach and it is integral to the strategic planning process.

Case Study I: The City of Charlotte

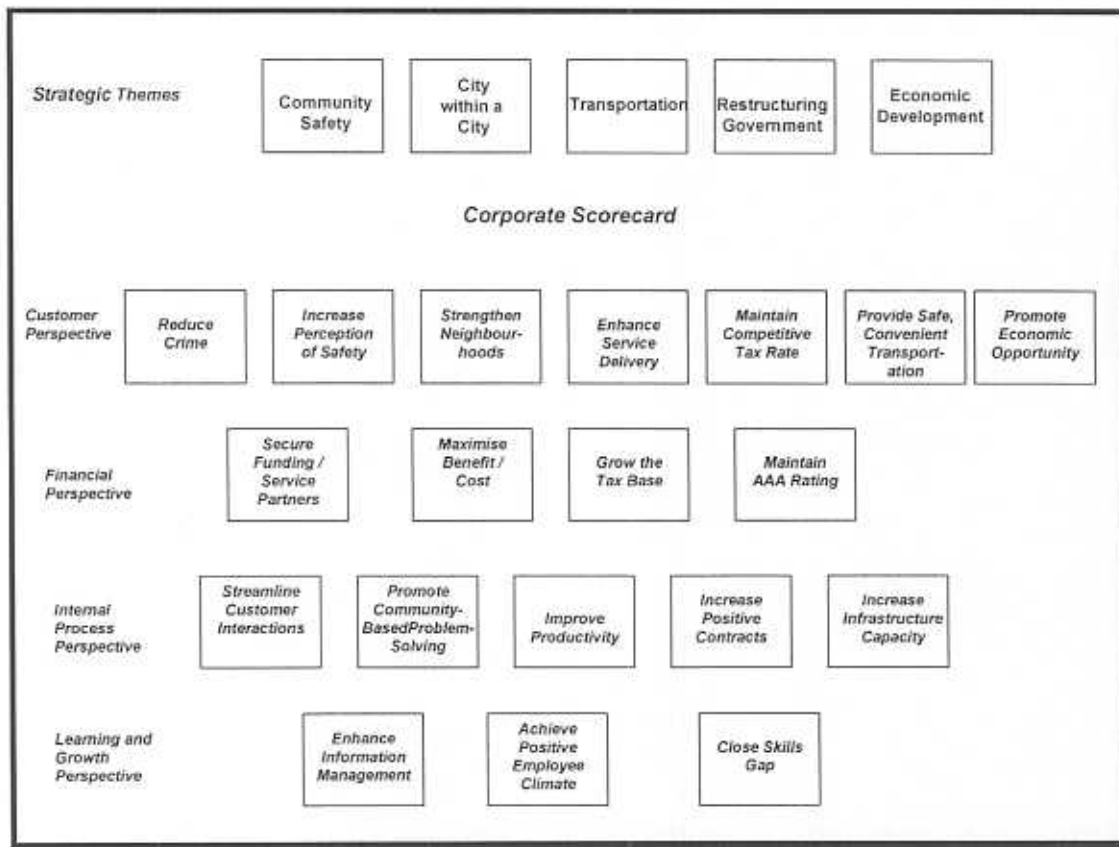
The City of Charlotte, in the state of North Carolina in the USA, used the balance scorecard to ensure that the city's limited resources would have the greatest impact on achieving its Vision and Mission. The City Council of Charlotte desired to "provide high-quality services to its citizens" that would make it a "community of choice for living, working and leisure activities".

In the early 1990s, according to Kaplan and Norton, senior city staff, the mayor and the Charlotte City Council, chose a few themes that would guide resource allocation. Through debate at their annual retreat, they reduced 15 focus areas to the following 5:

- Community Safety
- Transportation
- City within a city (preserving and improving older neighbourhoods)
- Restructuring Government
- Economic Development

They then began to translate the five themes into a balanced scorecard for the City of Charlotte.

Figure 10: Balanced Scorecard for the City of Charlotte



The City of Charlotte decided to place its customer (citizen) perspective above its financial perspective, as the achievement of its financial objectives was merely an enabler to it meeting its customer objectives. Objectives and measures were developed for each aspect of the scorecard.

According to Kaplan and Norton, the strategic nature of the scorecard became apparent when some departments such as the Fire, Wastewater Treatment and Solid Waste Services complained that they were not included in the scorecard. It had to be emphasised to these departments that while their work remained vitally important and that their performance needed to be measured against departmental objectives, their services were not directly related the corporate strategic needs at that time.

An Evaluation of the Balance Scorecard

Simplicity

The balanced scorecard can be described as a simple and accessible model for performance, based on priority areas for attention in each of the four perspectives. However, it can be argued that the customer perspective can become complex when uncritically applied to the public sector.

Relevance

While the balanced scorecard has been applied to some municipalities internationally, it sits uneasily with notions of developmental local government. Developmental local government and integrated development planning are characterised by assessing the needs of the communities and citizens to be served, developing a long term set of developmental outcomes that address those needs, prioritising services that will make those development outcomes a reality and that can be delivered within resource constraints, while ensuring participation, partnerships and democratic governance.

Particularly in its original form, the Balanced Scorecard is not particularly fitting for developmental local government in South Africa. Firstly, the Balanced Scorecard is captured in a discourse that is not particularly relevant to local government. Secondly, the prioritisation of the different perspectives in the scorecard, do not match the priorities of developmental local government. For example in its original form, the financial perspective is given priority, while the meeting of financial objectives is merely an enabling factor in public sector performance.

The balanced scorecard does not use the same discourse, categorisation and prioritisation of perspectives, nor the same planning methodology involved in the process of integrated development planning. Although Kaplan and Norton have modified the architecture of the Balanced Scorecard to suit the public sector, this still does not make it very useful for developmental local government in South Africa.

Objectivity and Reliability

The Balanced scorecard relies on clearly stated objectives and measures that are objective and reliable.

Facilitation of Learning

Because the Balanced Scorecard maintains a financial perspective reflective of past performance, a customer and internal process perspectives that reflects current performance, and an innovation and learning perspective that reflects future performance, explicit linkages between the categories can prove useful for diagnosis of poor performance. Furthermore the scorecard requires strategy to be mapped, clearly showing the linkages between focus areas in each category. This is particularly useful in identifying causal factors in poor performance.

Replicability

The City of Charlotte managed to cascade its corporate scorecard to all functional areas, which developed their own departmental scorecards that aligned to the corporate scorecard. There has also been evidence from the private sector, where the corporate scorecard was translated into personal scorecards for management staff.

The balanced scorecard is a simple management tool that helps to develop, articulate and monitor organisational strategy., and there appears to be little doubt it is a powerful tool in the private sector. However its unquestioning replication in the public sector, and particularly within local government in South Africa leaves much to be desired. Like the excellence model, the balanced scorecard's appropriateness for developmental local government is compromised by its discourse, the categories of performance it values most and its inability to facilitate the strategic planning process of integrated development planning.

This chapter has evaluated two models of performance management currently being marketed to local municipalities and has found them both to fall short of providing meaningful tools to fulfil the performance management requirement of developmental local government. It is clear that a new model for the performance of local government is needed. However, this new approach needs to benefit from what has worked, while moving away from the neo-liberal and managerialist tendencies of other approaches.

The Balanced Scorecard has provided a simple, multi-perspective model for performance measurement, central to an organisation's strategy. It relies on clearly stated objectives and reliable indicators. A similar tool, designed particularly for the needs of developmental local government could be what South African municipalities have been looking for. The next chapter constructs a new model from the merits of the balanced scorecard mentioned here and from the criteria themselves.

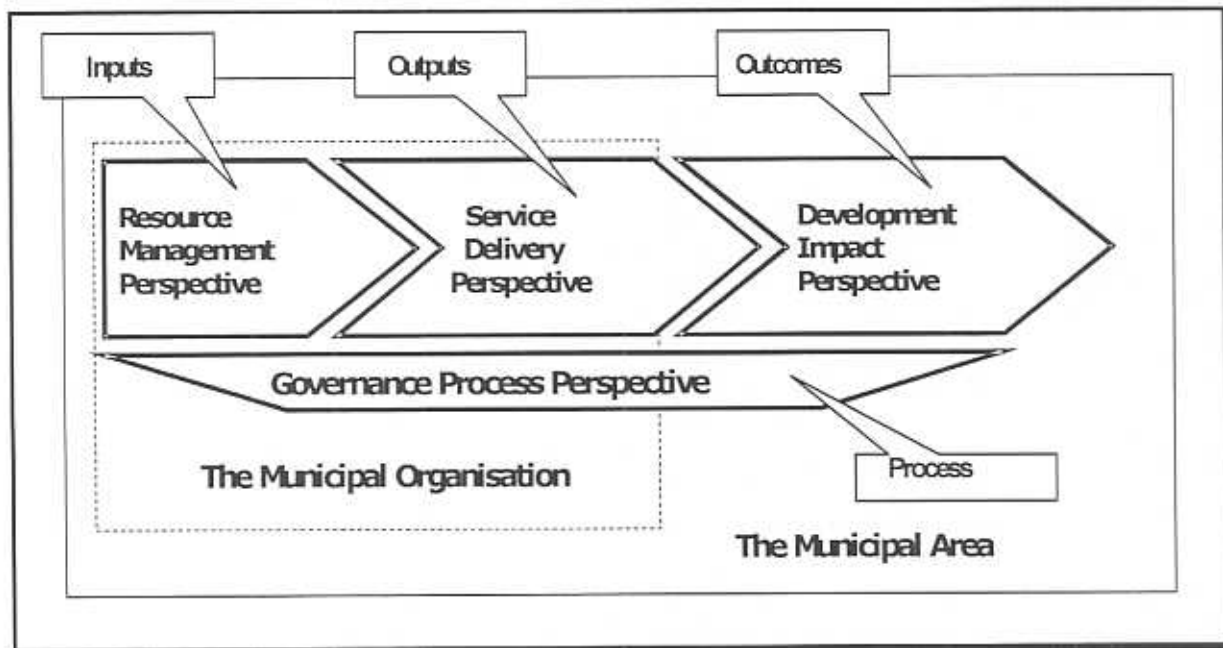
Chapter 6: A different approach for local government

This chapter proposes a model for performance management in developmental local government that complies with legislative requirements. Current implementation of this approach in Mangaung Municipality and Hibiscus Coast Municipality will be used to illustrate the approach.

The Municipal Scorecard

The model is based on a systems approach and includes four perspectives based on inputs, processes, outputs and outcomes. The four key perspectives are outlined below in the figure 11. They include a development perspective, a service delivery perspective, a resource management perspective and a governance perspective.

Figure 11: Structure of the Municipal Scorecard



The Development Impact Perspective

In this perspective the municipality will need to assess whether the desired development impact of the municipal area is being achieved. This perspective will designate the development priorities for the municipal area and select indicators that tell us whether the desired development outcomes are being achieved. It will, however, be difficult to isolate development outcomes for which the municipality is

solely accountable. It is expected that the development priorities and indicators, will often lie within the shared accountability of the municipality, other spheres of government and civil society. The measurement of developmental outcomes in the municipal area will be useful in telling the municipality whether their policies and strategies are having the desired development impact. This perspective would typically include poverty reduction, employment creation, economic growth and crime reduction amongst other development objectives.

The Service Delivery Perspective

This perspective should demonstrate how a municipality is performing with respect to the delivery of services and products. This relates to the output of the municipality as a whole and should typically deal with equitable service delivery, service user satisfaction and service quality.

The Resource Management Perspective

This perspective should demonstrate how a municipality is performing with respect to the management of its resources, namely:

- financial resources;
- human resources;
- information; and
- organisational infrastructure

These relate to the inputs of the municipality as a whole.

Governance Process Perspective:

Recent literature, notably by Curtis (1999) argues, that developments in the management of performance in local government in South Africa, have emphasised the measurements of outputs or service delivery, but have neglected managing the performance of complex processes that create the conditions for service provision. He calls the "complex processes through which productive relationships are created and local resources are mobilised", governance. Governance, he defines in a local government sense, "is being about the micro-political processes within organisations, within municipal and rural communities and areas as well as between local governments and higher level authorities." Similar to the service delivery commitments, the council will have to be clear about commitments in terms of

governance. This perspective should contain clear commitments in the form of objectives and indicators in terms of its governance role.

This perspective should typically demonstrate how a municipality is performing with respect to its engagement with its stakeholders in the process of governance. This perspective could typically include, amongst others, the following:

- public participation;
- citizen satisfaction;
- access to Information;
- decision making; and
- civic education and capacity building

These relate to the governance processes of the municipality as a whole.

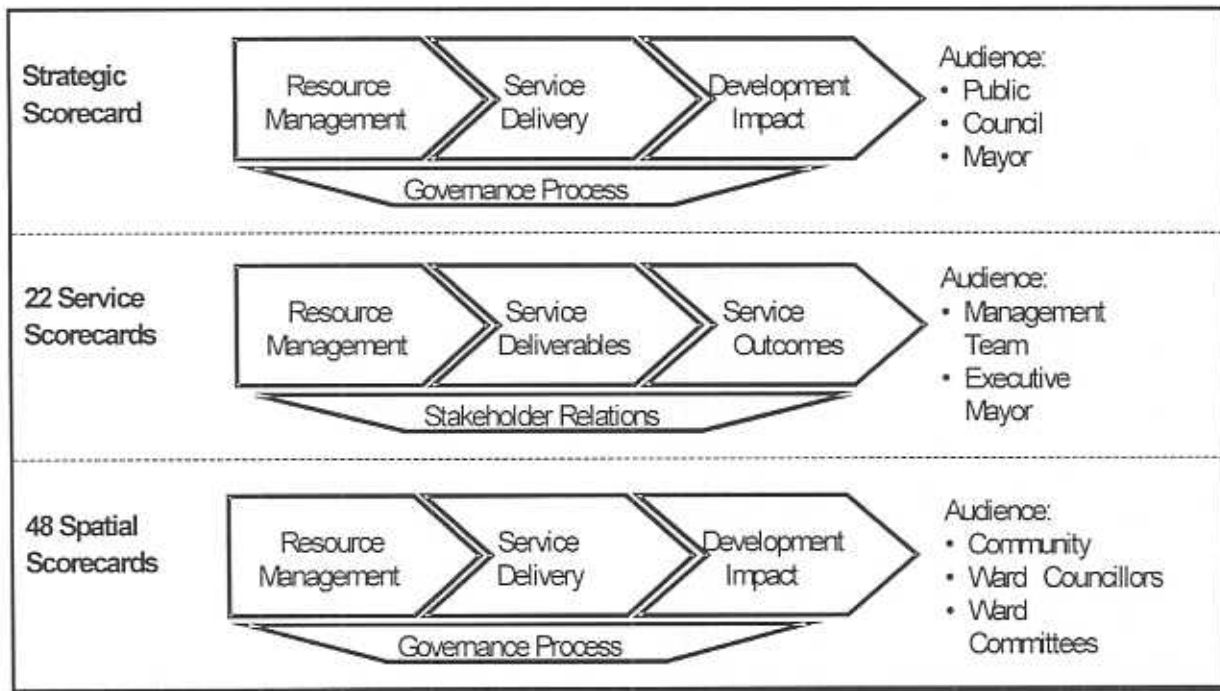
Three Levels in Mangaung Municipality

Mangaung Municipality, which was formed through the amalgamation of Bloemfontein, Bothshabelo and Thaba 'Nchu, opted to adopt the municipal scorecard, described above, as a model for integrated development planning and performance measurement on the basis that it is:

- tightly aligned to the strategic planning and IDP processes;
- directly relevant to the notion of developmental local government;
- a balanced view of performance based on inputs, outputs, outcomes and process; and
- a simple portrayal of municipal performance, where inter-relationships can be mapped

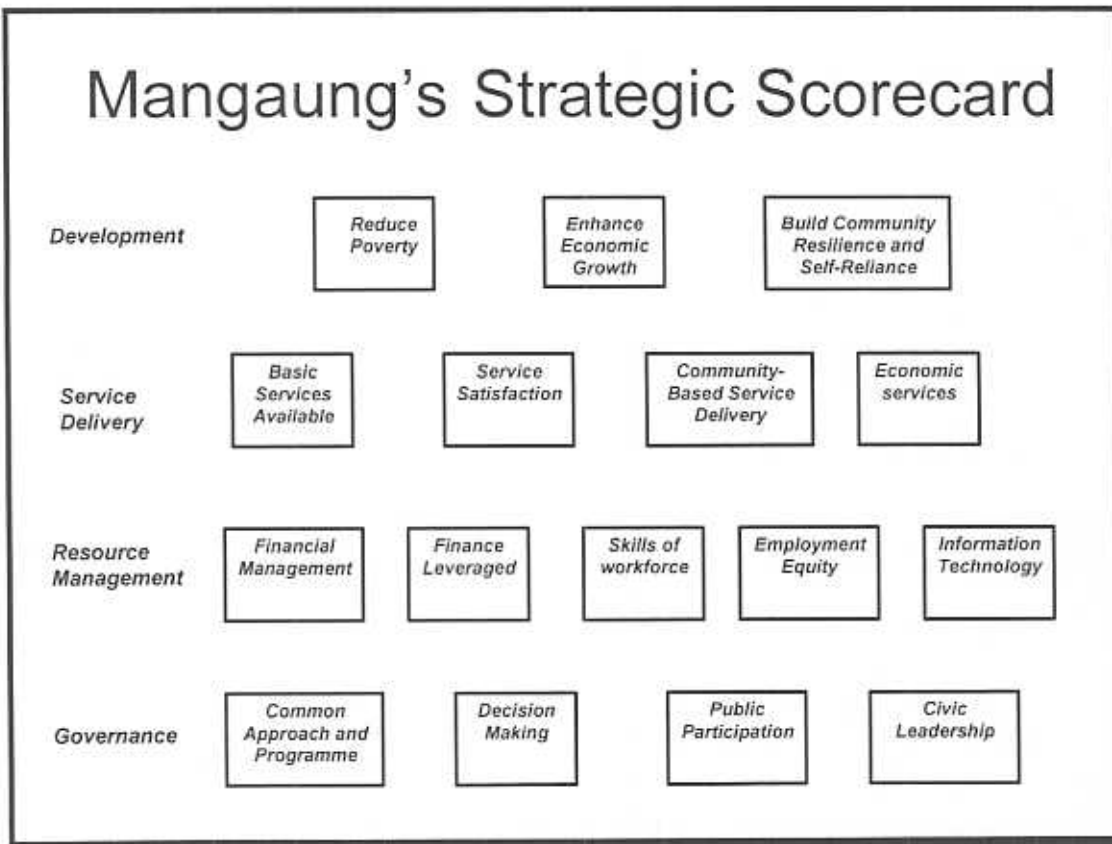
Mangaung Municipality has adopted a system based on three levels of scorecards as depicted in the figure below.

Figure 12: Three levels of scorecards



The Strategic Scorecard

The strategic scorecard will provide an overall picture of the performance of the municipality as a whole, reflecting performance on its strategic priorities. It will be used, after review by the municipal manager and management team, as a basis for reporting to the executive mayor, council and the public. It will be reported to executive mayor and council twice annually and to the public annually. The strategic scorecard is currently being finalised.



Mangaung's IDP process used the municipal scorecard as a model to conceptualise the IDP. The municipality adopted the priority areas highlighted above as central to its strategy in its IDP. These reflect the strategic priorities that the municipality will monitor and review its performance regularly.

Service Scorecards

The service scorecards will capture the performance of each defined service. Unlike the strategic scorecard, which reflects on the strategic priorities of the municipality, a service scorecard will provide a comprehensive picture of the performance of that service. It will consist of objectives, indicators and targets derived from service plans and service strategies. It was intended that service scorecards should not duplicate current reporting, but be integrated into it as a core component and that it should simplify all regular reporting from departments to the municipal manager and portfolio committees.

Service Scorecards will be comprised of the following components:

- Service Outcomes, which set out the developmental outcomes that the service is to impact on;

- Service Deliverables, which set out the products and services that the service will deliver;
- Resource Management, which sets out how the service will manage its Human and Financial resources, Information and Organisational Infrastructure; and
- Stakeholder Relations, which sets out how the service will improve its relationship with its key stakeholders

Performance in the form of a service scorecard will be reported to the municipal manager monthly and then to the executive mayor quarterly, for review. The municipality is currently finalising their service scorecards.

Spatial Scorecard

To facilitate the decentralised management of performance and greater citizen participation in managing municipal performance, spatial scorecards are proposed. The spatial basis of such a scorecard has yet to be defined, but is most likely to be ward-based.

A ward scorecard will be useful in capturing municipal plans and performance in each ward. Ward plans would then need to be translated into objectives, indicators and targets, against which ward councillors, ward committees and the community in that ward will be reported to, and against which they would be able to review municipal performance in that ward. In similar fashion, the spatial scorecard could reflect performance in areas larger than a ward, such as a region made up of a set of similar wards.

Mangaung municipality has started the implementation of the strategic scorecard and approximately 22 service scorecards. Once these are established, the system may be extended to include spatial scorecards, in the next financial year.

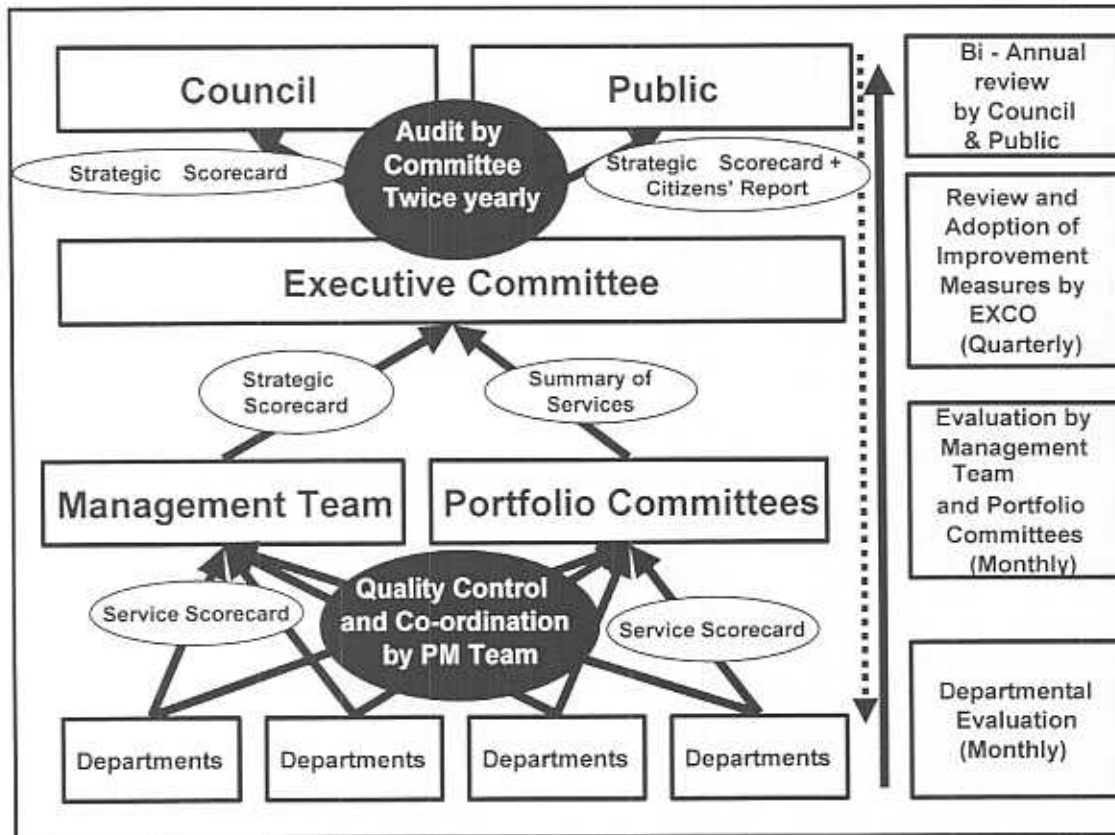
The Mangaung system is in the early stages of implementation. Thus, while the system in its development is clearly related to the strategy of the municipality and its IDP, it is still too early to evaluate the usefulness of this approach.

The Management Process in Hibiscus Coast

Hibiscus Coast Municipality, in Kwa-Zulu Natal has implemented the Municipal Scorecard in the same way that Mangaung municipality has, by developing a

strategic scorecard for the municipality as a whole and service scorecards for each department. They have also adopted a very useful monitoring, reporting and review process.

Figure 13: The annual process of reporting and review at Hibiscus Coast Municipality



Departmental Reviews

It is intended that departments review their performance at least monthly, using their service scorecards. Departments are to use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved.

Management Team Reviews

Departments will then need to report on their performance in the service scorecard format, to the municipal manager and the heads of departments. Additional indicators that occur in the strategic scorecard will also be reviewed. The formulation of the strategic scorecard and the process of review will be co-ordinated by the performance management team.

The executive management team will review whether targets are being achieved, the reasons for targets not being achieved and, where applicable, will consider which corrective action may be necessary.

Portfolio Committee Reviews

Each portfolio committee will be required to review the performance of their respective services against their service scorecard. The portfolio committee will be required to appraise the performance of the service against committed targets.

EXCO Reviews

On a quarterly basis, the Executive Committee will engage in an intensive review of municipal performance against both the service scorecards and the strategic scorecard, as reported by the municipal manager. The quarterly reviews will thus culminate in a comprehensive annual review of performance in terms of both scorecards.

The review is intended to reflect on the performance of services and the strategic scorecard. The executive committee will review whether targets committed to in the strategic scorecard are being met, and where they are not, will request that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the reasons for poor performance.

The municipality has also adopted an Annual Mayoral Award for Excellent Performance that rewards departments which have excelled in terms of their service scorecards. Such an award and the subsequent recognition can often be sufficient to motivate teams in the workplace.

Council Reviews

At least annually, the Executive Committee will be required to report to council on municipal performance. It is intended that this reporting take place in an annual report, using the strategic scorecard. The Municipal Systems Act requires that the annual report should at least comprise a performance report (a strategic scorecard), financial statements and an audit report.

Public Reviews

The Municipal Systems Act requires the public to be given the opportunity to review municipal performance. The municipality has intended that, in addition to the annual report mentioned above, a user-friendly citizens' report should be produced for public

consumption. The citizens' report should be a simple, easily readable and attractive document that translates the strategic scorecard for public consumption.

The municipality also intends that a public campaign be embarked upon annually to involve citizens in the review of municipal performance. Such a campaign could involve the following methodologies:

- ward committees will be reported to and these, in turn., will submit their review of the municipality to council;
- various forms of media, including radio, newspapers and billboards could be used to convey the citizens' report; the public will be invited to submit comment via telephone, fax, email and to public hearings to be held in a variety of locations;
- the public reviews should be concluded by a review by the IDP Representative Forum.

In addition to regularly measuring indicators the municipality will be conducting two annual surveys: a household/business satisfaction survey and an employee satisfaction survey. These surveys will be very valuable to the municipality, as they will:

- introduce a qualitative dimension to performance management at the municipality;
- provide data for a wide range of indicators used in the strategic and service scorecards;
- diversify the sources from which indicators are drawn, thus increasing reliability; and
- involve the public and staff in measuring and reviewing performance

The annual performance management process of the Hibiscus Coast Municipality, is a comprehensive one. Similar to Mangaung Municipality, Hibiscus Coast has recently begun implementing this system. An evaluation of the degree to which the process has been implemented and has been useful will be important, at least after the first annual cycle.

This chapter has indicated that despite the lack of fit that private sector models for performance measurement exhibit, there is at least one approach customised for developmental local government that is proving to be appropriate. However, the test will be how this approach stands up to evaluation in the next few years, once significant experience in its application has been accrued. The next chapter identifies some of the aspects of this approach which still require improvement.

Chapter 7: Room for improvement

While innovations like the Municipal Scorecard demonstrate the existence of practical solutions, the broad approach to local government performance management, indicates significant improvement is still needed. Some of the major challenges facing municipal performance management are detailed below.

Organisational Culture

The experience of municipalities in the pilot programme on performance management has already indicated that the traditional organisational culture of local government is the most significant obstacle to effective performance management. While many municipalities have identified priority areas, have stated clear objectives and have identified indicators, virtually all have had great difficulty in getting officials, particularly middle managers, (and especially those of key departments like electricity, water, sewerage and economic development) to commit to explicit targets and to report on the performance of their departments with respect to these.

An important lesson that comes out of this is that objectives and indicators need to be developed in collaboration with these managers. That stated, it must also be noted, that resistance by departmental heads even occurred in cases where they participated thoroughly.

Performance management requires a fundamental change to organisational culture in a municipality, where measuring and accounting for your mandate is seen as integral to what constitutes good management. This also requires that councillors play a leading role in championing performance management in the organisation and in ensuring that it is implemented and remains useful.

Management Information

The second most crucial obstacle to effective municipal performance management, has been the severe lack of information for planning and management. Virtually all municipalities are the product of the recent amalgamation of other municipalities. Where previous municipalities had collected management information, this has not been integrated into a single system. However, it was more common that municipalities were either not collecting information about their areas at all, or were

collecting the wrong kinds of information, given the changing role of local government. In view of this, municipalities need to be assisted in generating good management information. A number of ways in which this might occur re detailed below.

Annual Survey

The Department of Provincial and Local Government, together with the National Treasury and Statistics SA, need to explore the possibility of an annual survey that provides information that is statistically significant and useful for municipalities. This implies investigating the expansion of the sample size of the existing Labour Force Survey and broadening its questions to include municipal information requirements. This exercise could also minimise the costs of generating accurate information for performance measurements and prevent parallel and often costly surveys being run by individual municipalities. It would also constitute an opportune source of annual information that could be used by a variety of national departments and agencies.

Support to Municipalities

Municipalities need to be supported in developing good management information systems. In that respect, the provincial governments have a useful role to play as agents of support. However, it is true that some provinces lack the capacity to provide this kind of support. Hence, such provinces will, themselves, need to be supported by national government to develop the capacity to support municipalities in developing good systems.

Partnerships with academic and research institutions

It could prove useful for municipalities to pursue the establishment of partnerships with academic and research institutions, in attempting to consolidate information about the municipal area and organisation. This could be an opportunity for academic institutions to align their research with the needs of municipalities. There is also a meaningful role for provinces to play in facilitating these partnerships.

Linking Performance Management to Budgeting Systems

The Municipal Systems Act (2000) has led, in cases like Mangaung Municipality, to a synthesis of integrated development planning, public participation and performance management. The notion of developmental local government envisages a strong linkage between these three processes and a municipality's budget process, but much improvement is still needed to ensure this alignment. The municipal scorecard

does provide an opportunity to start aligning inputs that can be budgeted for, with outputs. This facility will need to be explored in forthcoming municipal budget cycles.

Protecting the Integrity of Performance Management

The White Paper on Local Government and the Municipal Systems Act have proposed performance management as a tool to foster openness, participation and development at a local level. There have been, and no doubt will continue to be, instances where these goals are undermined. Significant effort will need to be placed by national government, by champions of developmental local government and by the critics of managerialism and neo-liberalism, to protect the integrity of this tool and to ensure that it builds democracy at a local level, holds local government accountable to its citizens, speeds up service delivery and improves the quality of life of all.

Chapter 8: Conclusion

The introduction of performance management to local government internationally represents a marked departure from the traditional public sector approach of rule bound hierarchies. This thesis set out to assess the experiences of 26 municipalities which were called upon to pilot a system of local government performance management. The study found that the implementation of performance management systems can run the risk of promoting a narrow managerialist approach. Such an approach is marked with inappropriate measures, that often reflect what managers, rather than other municipal stakeholders deem to be important. They also often unquestioningly impose private sectors values of what constitutes good performance on local government. However, there is an emerging trend which applies these systems in a manner which is aimed at building local democracy through open participation of citizens and communities in the running of the municipality. It also entails measurement of performance based on how well the municipality delivers on communities needs and how well these result in development.

The South African approach to municipal performance management embraced this participative and developmental approach, in both the White Paper on Local Government and the Municipal Systems Act. These policy documents entrenched performance management as a tool to facilitate the notion of developmental local government.

Based on the experiences of the majority of 26 pilot municipalities which attempted to implement performance management systems, the broad approach put forward by the Department of Provincial and Local Government does appear to be practical, workable and useful. This would appear to confirm the hypothesis posed in the opening chapter, namely that the introduction of performance management systems was not only practicable, but also that it would be of value in enhancing municipal performance. However, while significant progress has been noted by some municipalities, the limitations which most municipalities experience. relate to an organisational culture adverse to change, to the lack of good management information and to the need for training and support. The experience of pilot municipalities has also indicated that the existing regulations are flawed and need revision.

The research in this thesis found that while models are useful for an organisation to structure what it measures about its performance, models like the Balanced Scorecard and the Excellence Model fall short in their usefulness for local government. In view of this, the thesis proposed an alternative model suited to developmental local government and has illustrated its implementation in two South African municipalities. However, since implementation of this approach at these municipalities has only recently begun, their usefulness can only be meaningfully evaluated in forthcoming years.

While home-grown approaches to implementing performance management are refreshing, the broad performance management approach is not without challenges. Attention will need to be paid to interventions which deal with organisational resistance, the lack of management information and with developing closer linkages between performance management and budget processes.

In the final instance, the integrity of performance management must be defended as a tool to deepen democracy at a local level, to ensure meaningful public participation in the running of a municipality, to measure good governance, service delivery and the improvement of people's lives and to hold government accountable to these commitments.

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