

**AN ANALYSIS OF ORGANISATIONAL PERFORMANCE
MANAGEMENT IN THE CITY OF CAPE TOWN: FROM LEGISLATION
TO IMPLEMENTATION**

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**THESIS PRESENTED IN FULL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF PUBLIC
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DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

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A. L. Jantjes

5 November 2007

ABSTRACT

Research was conducted in this paper on organisational performance management. Various definitions are offered in order to provide an explanation to the topic. Different models on performance management were discussed including the balanced scorecard.

The City of Cape Town was identified as a case study to ascertain how the provisions for the performance management system, as stipulated in legislation, were implemented. The use of the balanced scorecard was also reviewed.

Officials were interviewed, as well as various documentation considered, dealing with performance management in the City of Cape Town. From the findings various recommendations were made to improve the performance management system.

OPSOMMING

Navorsing is gedoen in hierdie studie oor prestasie in organisasies.

Verskeie definisies word voorgelê om die onderwerp te verduidelik.

Verskei modelle van prestasiebestuur is bespreek, insluitende die “balanced scorecard”

Die Stad Kaapstad is geïdentifiseer as gevallestudie om uit te vind hoe die bepaling in die prestasie bestuurstelsel, soos uitgelê in die wet, geïmplimenteer is. Die gebruik van die “balanced scorecard” is ook bespreek.

Onderhoude is met verskeie amtenare gevoer en verskullende dokumente oor prestasiebestuur in die Stad Kaapstad is gestudeer op grond van die bevindings, is verskeie aanbevelings voorgelê om die prestasiestelsel te verbeter.

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Good Governance? How do we strive towards this concept? One such means is the concept of performance management. Performance can be measured both at an organisational and at an individual level. The two levels should however be fully aligned to the corporate strategy if it is to hold any value.

This paper will provide the research on organisational performance management in local government. The legislation that governs the implementation of organisational performance management will be analysed. The City of Cape Town will be used as a case study to ascertain the implementation of the relevant legislation.

This chapter will include a brief background to the City of Cape Town. The concept of Organisational Performance Management will be discussed and the rationale, problem and objective of the study as well as the research design and methodology will be explained. The tone will be set for the rest of the paper by explaining the content of the chapters, which are to follow.

1.2 MOTIVATION FOR THE STUDY

Benefits can be derived for the organisation and others by conducting a study of this nature. It is important to ascertain whether the legislative implementation of PM was comprehensively done and whether it is practical to apply. The analyses will be of practical significance to performance management in the City of Cape Town and other municipalities.

Halachmi (2005), indicates the reasons for the popularity of performance measurement includes its utility in dealing with the following: how to allocate resources; demands for public accountability; global knowledge leading to demands for improvement; international pressure and; the desire to solve social problems and of government to re-gain credibility and accountability. Further it is indicated that

critics of government see increased bureaucracy resulting and that the additional costs may not be justified to the citizen.

Halachmi (2005), further states that performance measurement is not a new concept but has merely been rediscovered. Further, it is indicated that articles written on performance measurement fail to highlight the methodological problems, the political risks and the costs versus the benefits. Knowledge of the associated problems could assist managers and politicians when implementing these systems.

Thus a description and analyses will be conducted of the systems and procedures used in the City of Cape Town to ascertain what is being done, how it conforms to legislation, and what improvements could be implemented to increase the utility of performance management, as well as the use of the balanced scorecard methodology.

1.3 BACKGROUND

A brief background will be provided of the City of Cape Town as a municipality and what the performance management system entails. In chapter four, a more comprehensive background will be sketched on the structure of the Municipality.

The City Of Cape Town embarked on an organisation wide performance management system being implemented from 1 July 2005 (pilot projects etc. were conducted prior to this). During this process, an organisational performance management system (OPMS) was implemented and cascaded to an Individual level for employees from level 0 - 3. The legislation (Systems Act 32 of 2000) only however prescribes that Section 57 employees are individually performance managed i.e. levels 0 and 1 – the City Manager and Executive Directors reporting to him.

The Constitution of the Republic of South Africa (1996), makes provision for the establishment of Municipalities and its functions, the Municipal Structures Act (1998), provides guidance on issues such as structures which need to be in place including

committees, the Municipal Systems Act (2000), provides the operational framework within which Local Government is to operate.

The Municipal Systems Act (2000), provides guidance on issues such as Integrated Development Planning and Performance Management. The processes and systems, which need to be engaged in, are outlined. This includes indicating that the objectives, indicators and targets for performance management are to be taken from the IDP and also include those prescribed by the MEC for Local Government.

Performance management in municipalities is regulated by legislation as mentioned above. This study aims to ascertain whether the City of Cape Town has implemented the legislation comprehensively and whether the OPMS, which is in place, conforms to legislation.

1.4 RESEARCH PROBLEM

A preliminary investigation revealed that the existing policy within the City of Cape Town, which deals with performance management, focuses on individual performance management and minimal attention is paid to organisational performance management (Performance Management Policy and Procedure for the City Of Cape Town, May 2005). No clear written guidelines are used to provide guidance on how it should be implemented and which guidelines are to be followed.

Officials in the various departments thus use initiative based on broad guidelines, which to a large extent are communicated verbally. This leaves room for subjectivity as the implementation is left open to interpretation. The possibility also exists that consistency across measures is lost. The writing of objectives and indicators are not clearly guided.

The objectives of the research would be to ascertain what is currently being done, how it compares to legislation and what possible solutions can be offered. The research will have practical significance and add to the existing body of knowledge

on performance management. The practical significance would be to ascertain in a detailed analysis and description of OPMS of what is in place and how to enhance it.

1.5 RESEARCH QUESTION

The research question would thus be:

“Have the legislative requirements of an organisational performance management system been implemented in the City of Cape Town? ”

1.6 RESEARCH DESIGN AND METHODOLOGY

Evaluation research will be conducted as an implementation and process evaluation will be done and suites the purposes of analysing performance management legislation and its implementation in a qualitative manner.

Further the design will have medium control will be empirical in nature and look at textual data.

To a large extent the legislation as well as policies and systems will be evaluated in order to ascertain whether the intended outcomes of these have been achieved.

The subject of study will be the Organisational Performance Management System of the City of Cape Town. Documentation relating to performance management generated by the City will be studied in order to collect the data required. Thus the analysis will be made of these sources of data. Officials who work with the system as well as the policies and other documentation will be interviewed. Documentation is available on-line and from other reliable sources.

An undertaking will be given to all that input will be treated as confidential as to the source and thus they can remain anonymous and identities will be protected.

The non-probability sampling type that will be used is Snowball Sampling where an initial approach is made to the population in question (Welman, Kruger & Mitchell, 2006). For the purposes of this study officials working in Integrated Development Planning and Performance Management Department will be interviewed because of their current involvement or expertise. The sample will grow as referrals are made to individuals who are knowledgeable on topics such as strategic planning, business planning, balanced scorecards, cascading, writing of key performance objectives and indicators and scorecards. The sample size is not known upfront. An interview guide will be used and act as a guideline when interviewing officials.

The annual reports and IDP will also be used for data gathering. Any other related documentation will also be consulted. Existing legislation, reports and policies will be reviewed.

1.7 CHAPTER OUTLINE

The following chapter outlines will act as a guide to the content of the different chapters in the thesis. A broad overview is provided here as follows:

Chapter One : Introduction

This will include a brief background to the City of Cape Town. The concept of Organisational Performance management will be discussed and the rationale, problem and objective of the study as well as the design and methodology will be explained. The tone will be set for the rest of the paper by explaining the chapters, which are to follow.

Chapter Two : Theory on Performance Management

Both National and International literature will be reviewed on the topic of organisational performance management as well as related topics also providing definitions and explanation of performance management. Private sector and public sector literature on performance management will be reviewed to gain a broader understanding.

Various models on performance management will be discussed. This will include the balanced scorecard as it is used in the case study. The implementation of strategy using the balanced scorecard will also be discussed.

Chapter Three: Legislative Environment of Performance Management In South Africa

All relevant legislation and policy and other documentation referring to performance management pertaining to Local Government will be reviewed. This includes:

- The Constitution of South Africa (1996)

- White Paper on Transforming Public Service Delivery (1997)
- White Paper on Local Government (1998)
- Municipal Structures Act (1998)
- Municipal Systems Act (2000)
- Municipal Planning and Performance Management Regulations (2001)
- Municipal Systems Amendment Act (2003).
- Municipal Finance Management Act (2003 - Circulars 11,13)
- Public Audit Act (2004)
- Intergovernmental Relations Framework Act (2005)
- Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Manager (2006)
- Framework for Managing Programme Performance Information (2007)

Chapter Four : Case Study : City of Cape Town

The City of Cape Town will be used as a case study. Permission has been obtained to do the research from the Corporate Services Directorate. A background will be provided to the COCT as an organisation as well as a background to performance management. Applicable documentation will be discussed.

Chapter Five : Analysis of Data and Results

The data gathering procedure will be described. The interview results will be analysed and descriptively detailed. The findings will also be listed here.

Chapter Six : Recommendations and Conclusion

Recommendations will be made based on the findings of any possible improvements which can be made to current systems, processes and application of relevant legislation. Possible future areas, which need further research, will be identified.

The paper will also be concluded by summing up the main issues dealt with.

1.8 CONCEPTUALISATION AND MEASUREMENT

Current questionnaires reviewed do not fulfil the requirements of my research as the focus was on individual performance management. The questionnaires reviewed were compiled by Marumo, A. (1997); Henkin, S.M.M. (2002); and Brown, M.F. (2002). Thus individual interviews will be conducted using interview guides.

Analysis:

A description will be given of the current system as depicted in the flow chart and then an analysis will be done of the data gathered from respondents via interviews conducted as well as documentation reviewed. This will be used to draw conclusions and make recommendations for improvement to the system.

The performance management system of the City as well as the Municipal Planning and Performance Management Regulations will be discussed in terms of :

- planning
- implementing
- monitoring
- measurement
- review
- reporting – frequency and accountability
- improvement
- roles of role-players including the community
- relating to individual performance management processes
- procedure to link to the integrated development planning processes

The analysis will bring to light whether the prescriptions of legislation have been followed and whether value has been added and how officials who have to design it and the officials who have to implement the system perceive it.

1.9 CONCLUSION

As it is a legislative requirement that organisational performance management be implemented at local government level, it is important to ascertain what legislation exists on the topic and whether the legislation is appropriately implemented and what improvements can be made.

The City of Cape Town will be the case study used to map the implementation of the legislation. A description will be given of the PM system as well as related documentation reviewed.

Various literature will be reviewed in the next chapter. The main focus will be on organisational performance management but other related aspects will also be reviewed to obtain a more comprehensive view.

The rationale for the study, the research problem and background to the problem has been identified. The research question was also provided.

The subject for study was identified as the performance management system of the City of Cape Town. The research design was also described.

CHAPTER 2: THEORY ON PERFORMANCE MANAGEMENT

2.1 INTRODUCTION

In the following chapter literature pertaining to organisational performance management as well as other related aspects will be reviewed. The opinions of various authors will be reviewed as well as previous research done in the field of Organisational Performance Management.

Various definitions of performance management will be provided in order to gain a broader understanding of the concepts and to provide focus for the paper.

Literature reviewed included private and public sector as well as national and international literature on performance management. A preliminary search has revealed that two academics from the University of Stellenbosch have conducted research on performance management in the City of Cape Town at a Masters Degree level. This was conducted by Henkin (2002), and Brown (2002).

Various models on performance management will be reviewed. These include the Public Services Excellence Model; The European Foundation for Quality Management; The Three Es: Economy, Effectiveness and Efficiency; The South African Excellence Model; The Satellite Model of Organisational Performance; The Systems Model of Performance Management; and the Balanced Scorecard and the adaptation of the Balanced Scorecard for Public Sector.

The Balanced Scorecard will also be investigated in more detail as this is also the methodology employed in the case study of the City of Cape Town. The Public Sector use of this model will also be reviewed more comprehensively. The implementation of strategy using the BSC will be reviewed and this includes cascading the Balanced Scorecard at organisational and individual level.

The purpose of this chapter is to review the existing literature on performance management in order to:

- Explain and define performance management

- Gain a broader insight into the body of knowledge which exists
- Review different models of performance management
- Review the Balanced Scorecard for Public Sector use
- Assess implementing strategy using the Balanced Scorecard

In the following section some definitions will be reviewed in order to gain a better understanding of the concept of performance management both from an organisational and individual perspective.

2.2 EXPLANATION AND DEFINITIONS OF PERFORMANCE MANAGEMENT

Organisational performance management is the focus of this paper but it cannot be looked at in isolation of individual performance management as it contributes to the whole and the greatest synergy is obtained when the two aspects are seen as a continuous process. Various definitions will be reviewed on organisational and individual performance management.

According to Patel 1994:34 in Van Der Waldt (2004, p. 39), *“Performance Management is an approach to management which harnesses the endeavours of individual managers and workers towards an organisation’s strategic goals. It defines goals and outputs needed to achieve those goals, it gains the commitment of individuals and teams to achieve those outputs, and it monitors outcomes”*.

According to Keyes, (2005, p. 28), performance management is defined as *“ the use of performance measurement information to effect positive change in organisational culture, systems, and processes by helping to set agreed-upon performance goals, allocating and prioritising resources , informing managers to either confirm or change current policy or programme directions to meet those goals, and sharing results of performance in pursuing those goals”*.

According to Keyes, (2005, p. 28), performance measurement is defined as *“ a process of assessing progress toward achieving predetermined goals, including information on the efficiency with which resources are transformed into goods and*

services (outputs), the quality of those outputs (how well they are delivered to clients and the extent to which clients are satisfied) and outcomes (the results of a programme activity compared to its intended purpose), and the effectiveness of government operations in terms of their specific contributions to programme objectives”.

“Performance management can be defined as the process that enables an organisation to deliver a predictable contribution to sustained value creation. A world-class performance management process consists of excellent strategy development, budgeting / target setting, performance measurement, performance review and incentive compensation subprocesses” (De Waal, 2001, p. 8).

De Waal (2001, p.11), further indicate that case studies and literature reveal that organisations that use good performance management processes, achieve better performance both financially and non-financially than counterparts that are not as measurement focussed. Thus the structured performance management system produced better results.

Cokins (2004, p. 1), explains performance management as follows, *“Performance Management (PM) is the process of managing the execution of an organisations strategy. ...PM comprises the methodologies, metrics, processes, software tools, and the systems that manage the performance of an organisation. PM is overarching, from the C-level executives cascading down through the organisation and its processes. To sum up its benefit, it enhances broad cross-functional involvement in decision making and calculated risk taking by providing tremendously greater visibility with accurate, reliable, and relevant information – all aimed at executing an organisations strategy”.*

According to De Bruijn (2002, p. 4), one view is that the achievement of production targets does not give any indication of quality or professionalism of the performance and may have an adverse effect in that it may be compromised to the end of achieving a target. The other view states that complex services of public sector should be allowed autonomy, but with accountability. Accountability is a means of

communication and performance measurement is a tool for communication, which can detect poor performance and address it.

De Bruijn (2002, p. 7), Performance measurement is defined as follows: “A public organisation formulates its envisaged performance and indicates how this performance may be measured by defining performance indicators. After the organisation has performed its efforts, it may be shown whether the envisaged performance was achieved and what the cost of it was”.

The effects of an intervention are sometimes difficult to measure as the effect may only be seen in the long term. However the direct effect / output or the intermediate effect may be measurable.

Several functions can be derived from performance measurement. The most frequently mentioned include transparency; learning; appraising; and sanctions.

Van Der Waldt, (2004 p. 45), “*There are a number of levels on which performance can and has been defined and measured. Each effectively represents a particular definition of accountability*”.

Rogers (1999, p. 11) provides the following explanation ‘*A set of Interrelated and complementary processes concerned with:*

- *The development and sustenance of a culture and set of organisational values in which the ethical pursuit of improved performance is regarded as a legitimate and necessary part of the everyday workings of the organisation.*
- *The determination, communication and owning of the performance required of the organisation, and its individuals within it, in terms of aims, objectives, standards and targets – in those areas where the requirement has not been pre-specified by the government and its agencies.*
- *The act of continuously managing performance, including the staff who are performing, once the performance requirement has been determined.*
- *The establishing of monitoring and review, evaluation or appraisal processes that focus in a balanced way on achieving conformance with planned performance and learning about how to improve performance”.*

Costello (1994, p. 3), defines individual performance management as follows “*Performance management supports a company’s or organisations overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit. Generally, this is accomplished by establishing individual goals and objectives that are tied directly to the organisations purpose or direction. An effective performance management process generally starts with identifying clear goals, which are used as the foundation for ongoing coaching and performance` review`*”.

She further indicates that all employees contribute towards organisational success. The successful management of individual performance also impacts the organisational unit performance.

According to Williams (2002, p. 10), it is agreed by writers on performance management that the concept is difficult to define. He does however distinguish three main perspectives “*performance management as a system for:*

- *managing organisational performance,*
- *managing employee performance; and*
- *integrating the management of organisational and employee performance”.*

The Institute of Personnel Management (1992), in Armstrong & Baron (2005, p. 7), defines performance management as follows “*A strategy which relates to every activity of the organisation set in the context of its human resources policies, culture, style and communication systems. The nature of the strategy depends on the organisational context and can vary from organisation to organisation”.*

In Armstrong & Baron (2005, p. 2), four definitions are provided by various authors as follows:

- “a systematic approach to improving individual and team performance in order to achieve organisational goals” Hendry et al.
- The development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organisation that supports and encourages their achievement” Lockett.

- Performance management is managing the business” Mohrman and Mohrman.
- “directing and supporting employees to work as effectively and as efficiently as possible in line with the needs of the organisation” Walters.

Isaac-Henry, Painter and Barnes (1997:79) in Van Der Waldt (2004, p. 45), argue “ *that since the concept of performance in the public domain is elusive and inherently political, one should be careful to avoid too simplistic a view*”

From the above definitions and explanations, it can be seen that though difficult to define, performance management includes:

- endeavours towards execution of an organisations strategic goals
- performance measurement
- extent of client satisfaction
- performance monitoring and review
- improving performance
- conformance with planned performance
- linking the work of individual employees
- integrating individual and organisational performance.

The above components of performance management will be revisited in all the remaining chapters as it appears in legislation and the case study.

The next section briefly reviews some studies conducted on performance management both locally and internationally.

2.3 STUDIES ON PERFORMANCE MANAGEMENT

This section will briefly review two studies conducted on performance management in the City of Cape Town as well as in Dutch Central Government. A review will also be done of a private sector example.

Henkins' (2002), thesis focuses on the Cape Town Fire and Emergency Services and dealt with aligning personal goals and objectives to organisational strategy. He claims that the Balanced Scorecard methodology can be used to fill the gap, which exists between individual and organisational performance management.

Browns' (2002), thesis focuses on individual performance management. He dealt with individual performance management in the City of Cape Town as a way of improving on customer satisfaction. His findings support that an individual performance management system would make staff more accountable and thus improve on customer satisfaction.

Mol and De Kuif (2004), conducted a study in Dutch Central Government and reviewed performance management of twelve government organisations in which the role of performance indicators in performance management was investigated. They distinguish between actual responsibilities and intended responsibilities of managers. They indicate that intended responsibilities are expressed in performance measurement and the actual responsibilities are implemented in management control. It is indicated from their results that the restrictions applied at later stages in the governance system result in responsibilities that are then weakened.

They concluded that budgetary provision does not necessarily take into account the performance measurement and thus the decisions made are hampered. Thus the responsibilities intended are not covered by the budget. There may also be interfering later by principals who have demands, which are contrary to those initially agreed. These may be in the form of budget cuts or additional operations requested. They also found that contrary to what was previously thought, that performance measurement was not as prevailing in performance management and that

performance targets are controlled by budgetary constraints imposed. There conclusions can also be implied in the private sector.

Oosthuizen (2005), discusses strategic process behaviour from a South African perspective and conducted a survey of South African manufacturing organisations. It was found that South African organisations who achieved above average output performance closely reflect global best practice being used. This indicates that transferability from the developed to the developing world could take place. It was concluded that South African organisations could compete internationally and defend against foreign competitors by using this framework.

Various models are available which can be used for performance management. As was indicated above, transferability was possible to developing countries of global best practice. The next section will review several models on performance management.

2.4 MODELS OF PERFORMANCE MANAGEMENT

Various models on performance management will be reviewed in this section. More emphasis will be placed on the balanced scorecard model, as it is the methodology that was approved for use in the case study that will be detailed in chapter four.

2.4.1 The Public Services Excellence Model (PSEM)

According to Talbot in Van Der Molen et al (2002, p.279), the Public Services Excellence Model (PSEM) was developed in response to the requirement for a more holistic performance model for the public sector. It was first drafted in 1998 and later launched and operationalised in 1999.

The PSEM comprises three sections as illustrated in Figure 1, which are to provide a “balanced scorecard” for the public sector. The three sections are as follows:

2.4.1.1 Enablers

A distinction is made between strategic and operational enablers.

Strategic Enablers

It is assumed that better performance is likely to ensue with coherence, clarity and feasibility of *policy objectives*. Linked to this is a *governance framework* geared towards attainment of policy objectives. An organisations mandate is more likely to be accomplished when more appropriate and clear delegations, line of authority and audit requirements are in place. *Strategic management and planning*, with a few exceptions, is taken directly from private sector examples. There is strong belief that there is value in strategic management and planning for the public sector. *Leadership* of public servants has contributed towards organisational success in the public sector.

Operational Enablers

Changes to accounting and budgetary practices in public sector have lead to *resource* utilisation being more refined. Implementation of these changes serves as an enabler for good performance.

Processes have to be aligned to organisational goals as well as to the outputs and outcomes, which the organisation strives to achieve.

People management policies also have to be aligned to attainment of organisational goals.

2.4.1.2 Organisational Results

A distinction is made between internal and external results.

Internal results include resource results; efficiency results and; people results. These results are usually noticeable within the organisation first.

External Results include reporting; outputs and satisfaction. These results are more visible in the external environment of the organisation.

2.4.1.3 Programme Results: Programme Outcomes and Programme Satisfaction

Assessments should be done of the trends, which are occurring, and what impact is being made on these programmes.

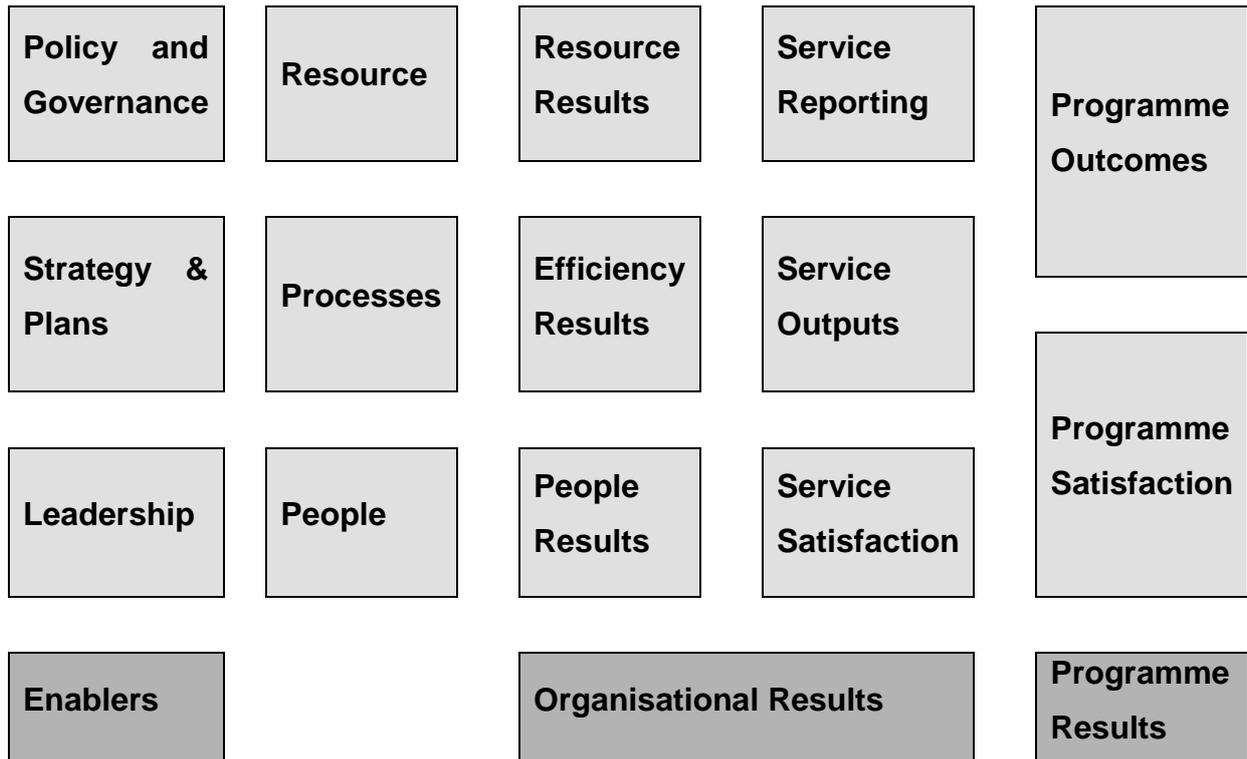


Figure 1: The Public Services Excellence Model (Talbot in Van Der Molen et al, 2002, p. 280)

2.4.2 The European Foundation for Quality Management (EFQM) Model

According to Armstrong & Baron (2005, p. 118), the European Foundation for Quality Management (EFQM) model indicates that leadership accomplishes people satisfaction, customer satisfaction and impact on society. People management, resources and policy and strategy is driven by leadership with the ultimate business

result of excellence. The enablers and processes as shown in the model in Figure 2, supply solutions to improvement of performance.

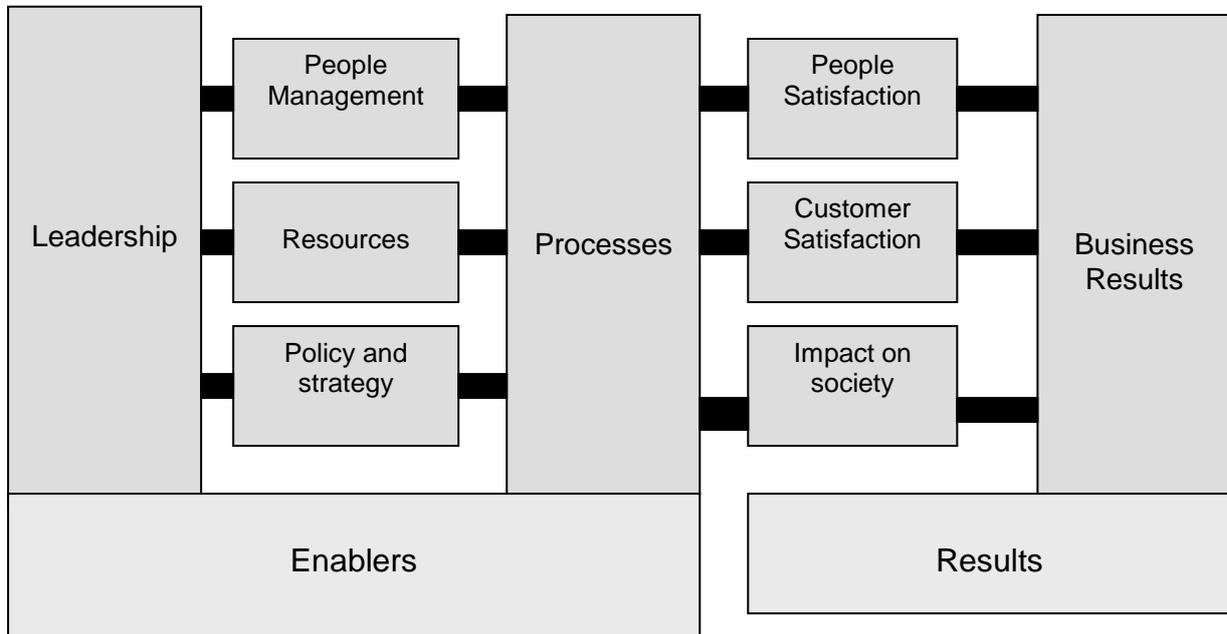


Figure 2: The European Foundation for Quality Management (EFQM) Model (Armstrong & Baron, 2005, p. 118)

They further indicate that most managers focus too much on problem analyses and not enough time on the finding a solution. Thus, as important as it is to measure performance, it is just as important to improve on it.

According to Talbot in Van Der Molen et al (2002, p. 278), this model was evaluated for use by the UK government.

2.4.3 The Three Es: Economy, Efficiency and Effectiveness

According to Van Der Walt (2004, p. 180), economy, efficiency and effectiveness are seen as interdependent elements to measure performance and service delivery as illustrated in Figure 3.

“The relationship or link between inputs, outputs and outcomes may thus be described in terms of:

Economy, refers to the cost of the inputs that are used to produce outputs;

Efficiency, relates inputs to outputs, that is, the cost of the inputs used per unit of output;

Effectiveness, illustrates the extent to which the outputs or services of a programme are successful in achieving stated objectives or priorities” (Van Der Walt, 2004, p. 179).

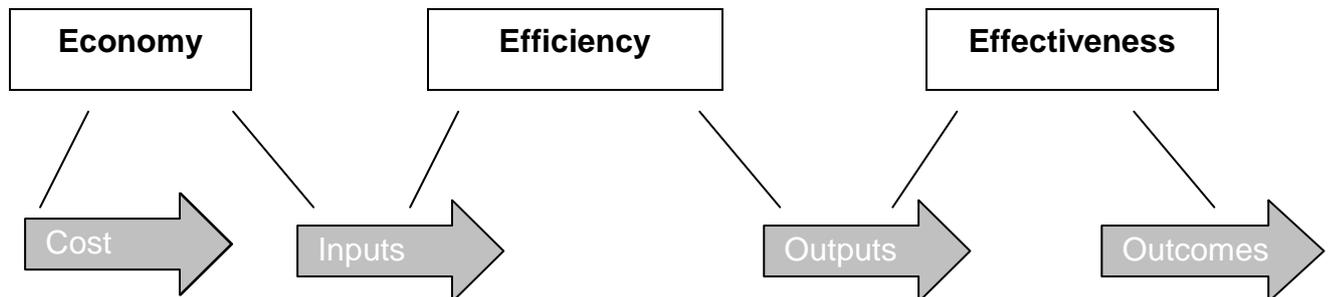


Figure 3: The Three Es: Economy, Efficiency, Effectiveness
(Van Der Walt, 2004, p. 180)

Economy is measured by viewing the public resources that were used to produce outputs. Efficiency is measured using cost and timeliness indicators and measures. Effectiveness is measured by using quality and quantity indicators and measures of output.

2.4.4 The South African Excellence Model

According to Van Der Waladt (2004, p. 184-185), the South African Excellence Model can be used in both the private and public sector. It is a generic plan, which strives towards service excellence. Its' basis is the Burke and Litwin Model (1989), which predicts cause and effect i.e. organisational conditions and resulting performance as illustrated in Figure 4.

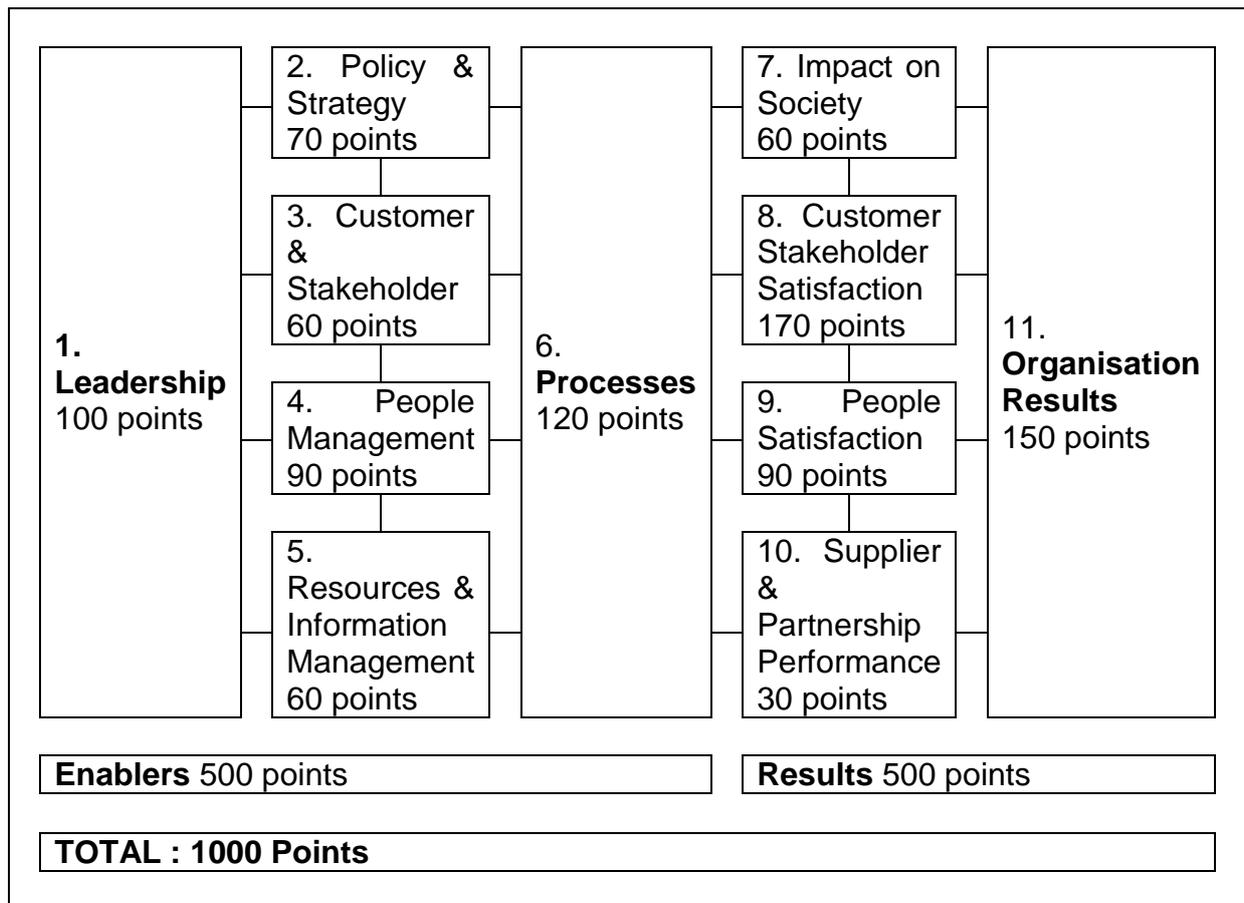


Figure 4: The South African Excellence Model (Van Der Waladt, 2004, p. 184)

Internationally recognised criteria for performance excellence have been utilised and implemented as a result of the successful use of the model in improving organisational performance as detailed in Table 1.

Criteria	Aspects to measure
Leadership	The behaviour and actions of the executive team and how they inspire, support and promote a culture of performance excellence.
Policy & Strategy	How the organisation formulates, reviews and turns policy and strategy into plans and actions.
Customer Focus	How the organisation determines customer requirements and expectations, enhances relationship with customers, and determines their satisfaction.
People Management	Whether or not the organisation realises that its most valued assets are its employees and how it utilises them. Whether it allows for the creativity to unfold and its employees to perform to excellence.
Resources and Information Management	Employees become effective and resourceful when they have knowledge at their disposal.
Processes	How the organisation identifies, manages, reviews and improves its processes.
Impact on Society	Whether or not the organisation takes the needs of the communities around it into account (social involvement).
Customer Satisfaction	What the organisation does to satisfy its customers.
People Satisfaction	Whether or not organisations realise that satisfied employees result in satisfied customers.
Supplier and Partnership Performance	What the organisation is doing in regards to managing its suppliers.
Results	Whether or not the organisation is achieving its planned objectives and satisfying other stakeholders.

Table 1: Criteria for performance excellence (Van Der Waldt, 2004, p. 185)

In addition to the above criteria, the model also enables public institutions to identify its strengths and development areas as well as formulating plans for improvement and repeating the process.

2.4.5 The Satellite Model of Organisational Performance

According to Hersey & Blanchard (1996, p. 403), the Satellite Model of Organisational Performance illustrates that many contributions are made to organisational performance management.

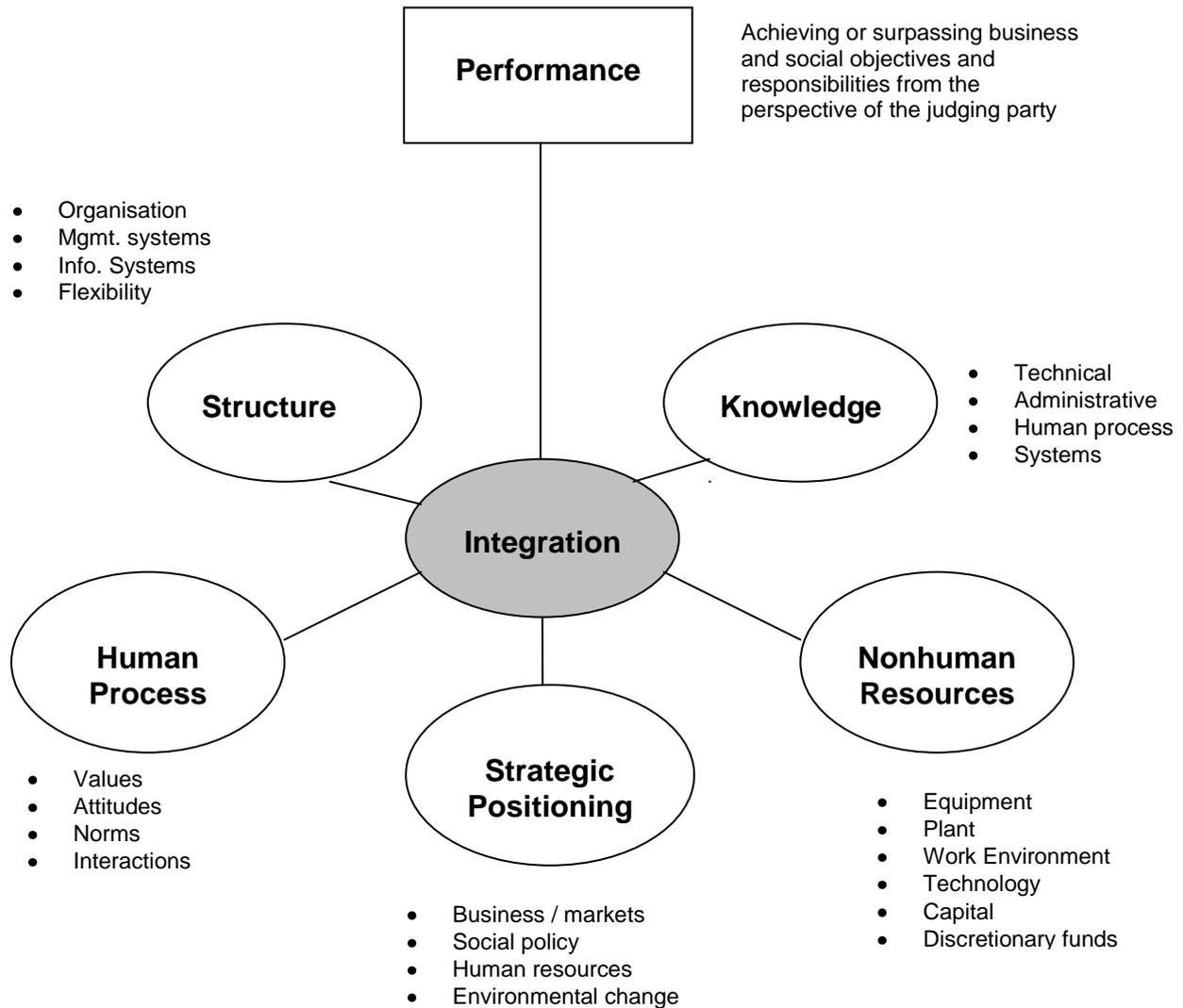


Figure 5: The Satellite Model of Organisational Performance Management, (Hersey and Blanchard, 1996, p. 403)

Factors as illustrated in the model in Figure 5, include strategic positioning; human resources; organisational structure; knowledge; and nonhuman resources. They also indicate that all the factors are interrelated, as strategy is an integrated plan.

2.4.6 Systems Model of Performance Management

According to Spangenberg (1994, p.38), the Systems Model of Performance Management includes as its main components inputs; processes; linkages and; outputs as illustrated in Figure 6.

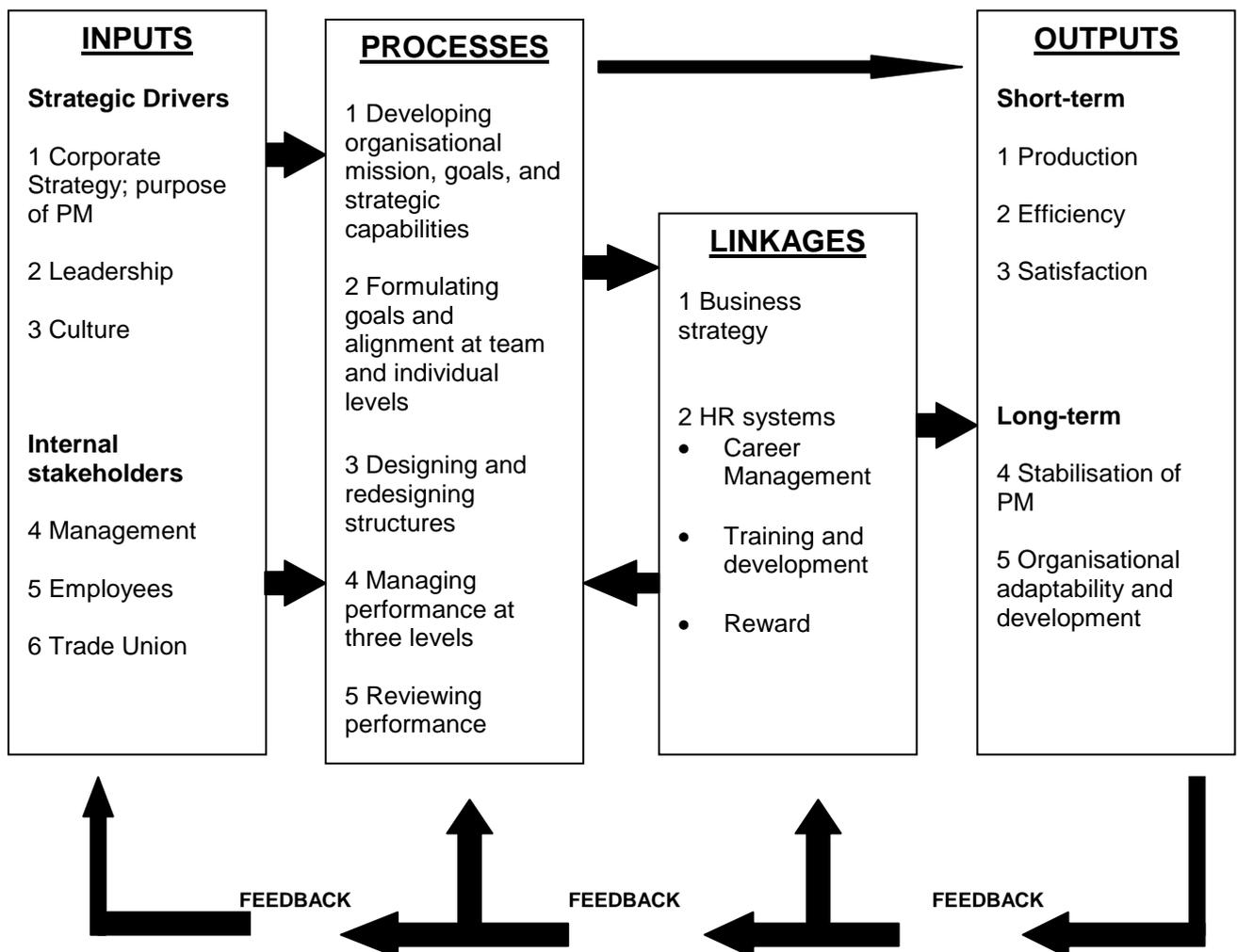


Figure 6: Systems Model of Performance Management
(Spangenberg, 1994, p. 39)

The reasoning behind a systems approach stems from looking at performance management as a total system. The association between the various elements are seen, as well as how it aligns to other major systems, taking into account issues, which will either have a positive or negative impact on the system.

Inputs : Inputs are classified as strategic drivers and stakeholders.

Processes : Five phases to the performance management process are identified.

Linkages : Performance management should link to other human resources systems.

Outputs : Short-term and long-term outputs are considered to facilitate the endurance of the organisation.

According to Mohrman (1990) in Spangenberg (1994, p.25), performance management applies at all levels in the organisation i.e. organisational, group and individual. Spangenberg states that it lacks a level for processes, which is important to both individual and organisational performance.

Rummler & Brache (1990), in Spangenberg (1994, p.26), indicate that about 85% of variance in performance is ascribed to systems and process failure. It is at this level that the most performance improvement can take place.

Spangenberg(1994,p. 29), further indicates that the performance levels should be organisation level; process / function level and; team / individual level.

2.4.7 The Balanced Scorecard

The following section will deal with the Balanced Scorecard Model as developed by Kaplan and Norton and the next section will review the Balanced Scorecard as adapted for Public Sector use.

According to Niven (2005, p. 12-13), the balanced scorecard was developed by Robert Kaplan and David Norton in 1990. Despite being an accountant, Kaplan

realised that the financial aspect reviewed on its own was insufficient for 21st century success. Kaplan and Norton then embarked on a study to ascertain best practices for performance measurement in twelve companies, which resulted in the Balanced Scorecard being developed. The organisation's vision and strategy is the starting point in the Balanced Scorecard. The vision and mission is then translated into performance measures, which are tracked to ascertain whether the vision and strategy have been implemented. This is achieved by setting objectives and measures in all four of the Scorecard's interrelated perspectives as illustrated in Figure 7.

The perspectives are as follows **(Niven, 2005, p.13-16)**

Financial Perspective

This perspective has importance in the profit, non-profit and public sector.

“In the for-profit domain the measures in this perspective tell us whether our strategy execution – which is detailed though measures chosen in other perspectives – is leading to improved bottom -line results. In the non-profit and public sectors, financial measures ensure that we're achieving our results, but doing so in an efficient manner that minimises cost. We normally encounter classic lagging indicators in the financial perspective”.

Customer Perspective

When measures are chosen for this perspective, two critical questions need to be answered i.e. “Who are our target customers?” and “What is our value proposition in serving them?”.

Internal Processes Perspective

In this perspective the key processes, which should be excelled at for value add to customers, is considered. The processes identified here are to be tracked to ensure progress. In some cases, completely new processes would have to be identified as apposed to improving on existing ones.

In this regard Kaplan and Norton (2006, p. 77), further add that value can be derived from sharing services and processes by various business units. This achieves centralisation and expert knowledge is obtained.

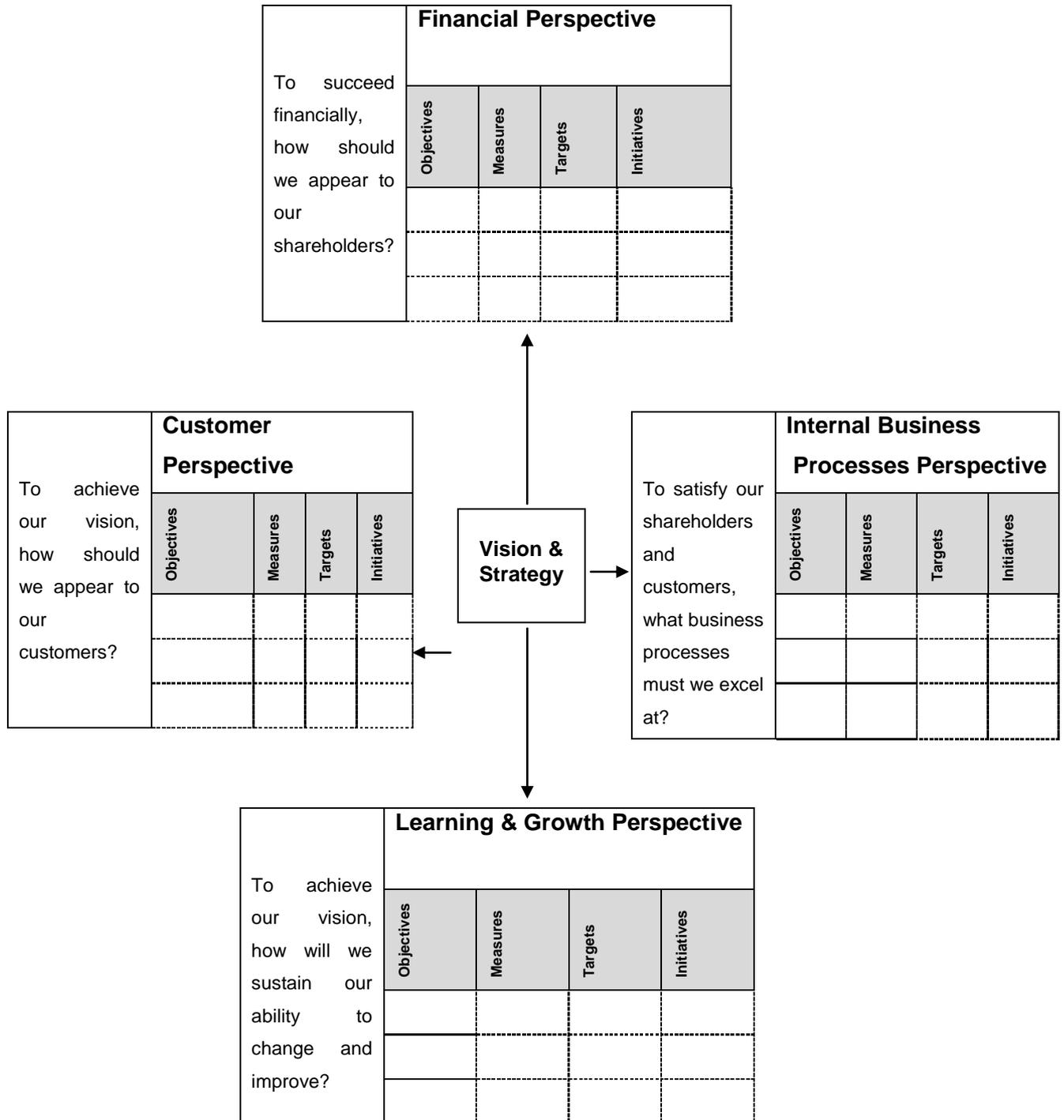


Figure 7: The Balanced Scorecard (Niven, 2002, p.14)

Learning and Growth Perspective

This perspective serves as an enabler to ensure that the other three perspectives are achieved. It is also known as the “employee learning and growth perspective”. It is here where gaps which have been identified can be closed to ensure sustainable performance by designing measures to do so. Gaps would typically be in your human capital, information capital and organisational capital. Here, as in the other perspectives one would have a blend of lag (outcome) measures and lead (performance drivers) measures.

According to Talbot in Van Der Molen, Van Rooyen & Van Wyk (2002, p.275), difficulty is experienced when models, which were developed for private sector, are used in public sector as the criteria used to judge organisational performance differ between private and public sector.

According to Olve, Roy & Wetter (1999), the concept of a balanced scorecard indicates that more than just finances are considered important. Thus this model is suited to an environment where profit is not the primary objective. This thus makes it suitable for public sector use where profit is not the primary objective. The model may however need adjustment. They further indicate that the scorecard is more suitable where longer-term benefits are sought.

In the next section of this chapter, a closer look will also be taken at the adaptation and application of the Balanced Scorecard in the Public Sector.

2.5 The Balanced Scorecard Adapted for Public and Non-Profit Sectors

The following section will deal with the Balanced Scorecard for public sector use in more detail as this is the model that is utilised in the case study of the City of Cape Town that will follow in chapter four.

According to Niven (2002, p. 291), the balanced scorecard was designed for use in the private sector with a profit-seeking motive. It has to be modified for use in public sector in order to obtain maximum benefit as illustrated in Figure 8.

According to Niven (2003, p. 32), the question is: “Is what we’re doing (both public and non-profit sectors) making a difference – is anyone better off as a result of our efforts?”.

In order to answer this question, management needs to have a broader view of performance and a system, which looks at more than just inputs and outputs but also looks at progress towards achieving the organisations mission.

Mission

The organisations mission will only be achieved over a period of time and thus measurement can substantiate claims of having made a difference in the circumstances and lives of the constituents you serve.

Monitoring the progress in the four balance scorecard perspectives will serve as a guide towards the achievement of the mission.

Strategy

Irrespective of what the nature of the organisation is, the strategy continues to remain at the core of a scorecard system. Once the strategy is devised the balanced scorecard is the tool for the translation and then implementation thereof.

Customer Perspective

The mission is placed at the top of the scorecard in the public sector, with the subsequent flow to the customers of the organisation and not the financial stakeholders as in the private sector. Unlike the private sector where the emphasis is on the financial perspective in being accountable to shareholders, the focus in the public sector is on the customer perspective and serving the customers needs in order to achieve the mission. The question arises though, as to who the customer is and this determination proves to be a challenge. The balanced scorecard allows the inclusion of all customer groups. These disparate groups will however generate different measures to be reflected in the other three scorecard perspectives.

Financial Perspective

Financial resources are crucial irrespective what the nature of the organisation is. In the public sector environment, resources can either be seen as a constraint on operations or as an enabler towards customer satisfaction.

Internal Processes

The question here is: "What are the key internal processes we must excel at in order to drive value for our customers?". Many organisations have lots of processes but it is vital for the balanced scorecard that only those processes that will impact on enhanced outcomes for customers and mission attainment be included. The processes chosen will most likely flow from objectives and measures that were identified in the customer perspective. The internal processes perspective frequently has the most objectives and measures on the scorecard.

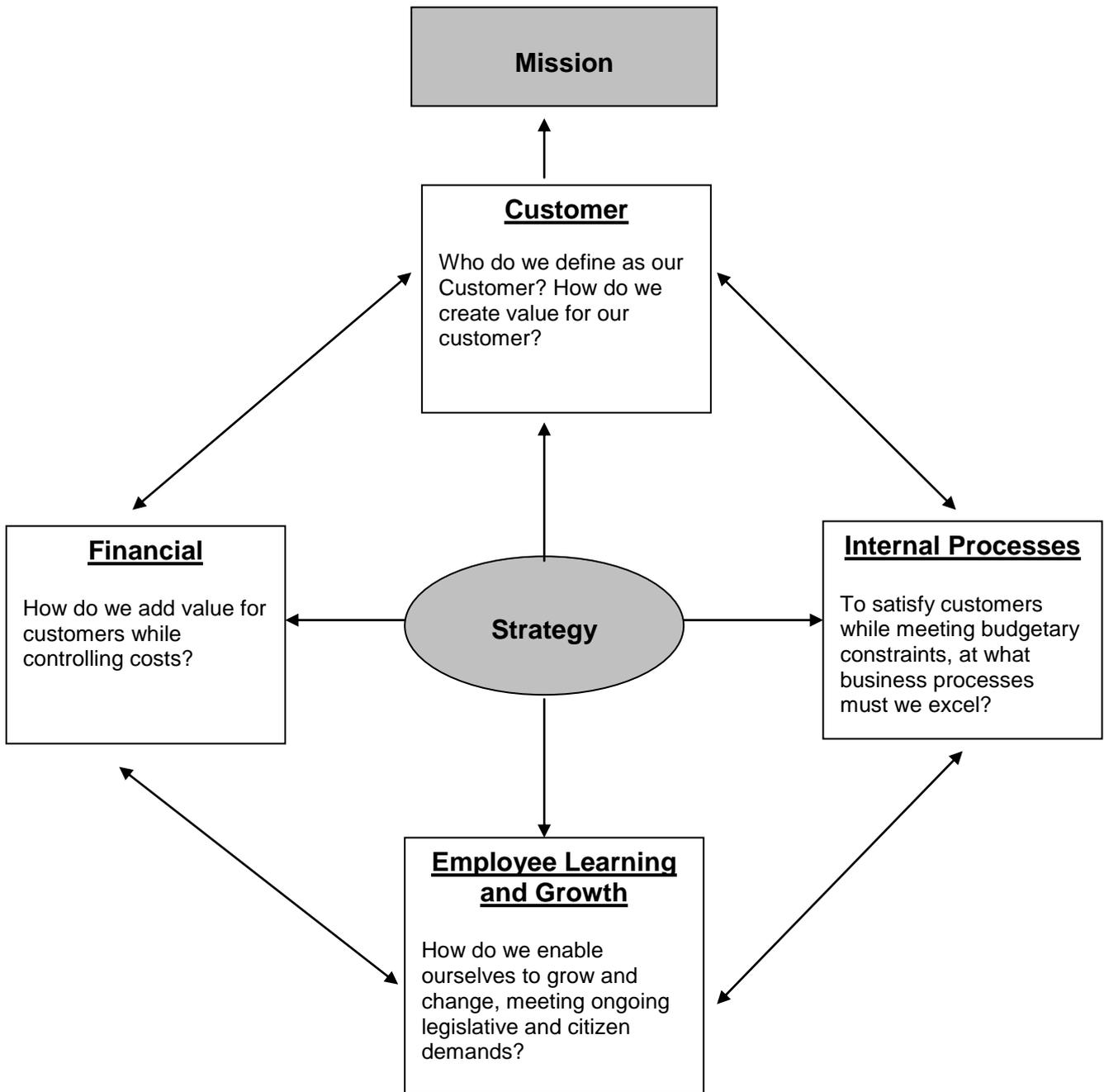


Figure 8: Public-Sector Balanced Scorecard (Niven, 2002, p. 297)

Employee Learning and Growth

Achievement in the other three perspectives relies heavily on the capacity of staff and the tools, which they utilise in the execution of their tasks to achieve the mission. Many organisations overlook these important aspects at their peril. Skilled employees with effective tools will drive process enhancement, financial constraint and result in customer and mission success. The three areas, which are important to capture in this perspective, include employee skills and competence, information flow and motivation and alignment.

According to Kaplan and Norton (2006, p.6 - 7), a cause and effect chain links these different perspectives i.e. an activity in one of the perspectives has an impact on another perspective and that on another perspective.

2.6 IMPLEMENTATION OF STRATEGY USING THE BALANCED SCORECARD METHODOLOGY

Strategy implementation is at the core of any organisation whether private or public sector. General literature is reviewed here as well as implementation from a balanced scorecard perspective.

Halachmi (2005), challenges the concept that performance measurement can be used to deal with productivity and accountability. Firstly, because the costs outweigh the benefits derived and the competing function of accountability verses productivity. It is concluded that performance measurement should not be mandated but should be encouraged. Further the performance scorecard could benefit from understanding potential pitfalls and what other corresponding changes are required in the government and outside in order for performance measurement to be meaningful.

Heinrich (2002), states that the call for outcomes-based performance management has increased activities relating to performance evaluation at all government levels. It has been found that problems were being experienced with the implementation and design of systems and the effectiveness thereof.

According to Wade and Recardo (2001), when performance is measured in most organisations, the main aspects looked at are those relating to finances. It was found that top performing companies have a balanced approach and thus use various key performance measures. They further indicate the purpose of using a corporate scorecard as a means to communicate the strategic direction to the business and grouping of major categories of measure together. It is further stressed that strategy is not to be seen as static but as a map and it should be regularly assessed to ensure that the organisation is heading where the management intended.

Long and Franklin (2004), conclude that a one size fits all approach is not suitable to the policy implementation phase. Their study concentrated on the implementation of the Government Performance and Results Act of 1993 of the United States of America. They also found that there is a lack of ability to ensure flexibility in legislation so that implementation can be adapted.

According to Long and Franklin (2004), a useful foundation to examine the link between implementation of policy and the resulting outcomes is taken from implementation theory. It is suggested that adaptation occurs in the implementation as well as directives back to the policy for changes in how the implementation should take place. Thus a mutual adaptation takes place. The actual implementation experience results in improvement to the policy. It is further indicated that the process should be looked upon as being evolutionary in order for the policy to survive.

From the above sources that have been reviewed it can be seen that implementation and the methodology employed around it appears to be the problematic area when it comes to policy in general and more specifically to the problems being experienced with performance management systems both in private and in public sector.

It was however also concluded that best practice in developed countries could be transferred to developing countries and still be successful. Also practice in private sector could in some cases be generalised to public sector. These are all considerations that will be looked at when doing the research and analysis and when recommendations are being made.

According to Kaplan and Norton (1996, p. 38), the balanced scorecard is a tool for strategy implementation and not for the formulation of strategy. Thus it enables the conversion of strategy into meaningful explicit objectives; measures and targets. This in turn also enables the monitoring of the implementation of strategy later on in the process.

The need for a balanced scorecard is summed up as follows: "If you can't measure it you can't manage it" (Kaplan and Norton, 1996, p. 21).

2.6.1 The Balanced Scorecard Perspectives

These balanced scorecards need to be put together by a team. It is best to workshop it in order to finalise the content for the strategy map. Firstly, the objectives for all four perspectives need to be developed (Niven, 2005, p.67).

Frank Buytendijk in Cokins (2004, p.2) says, “We believe that 80 percent of enterprises that fail to integrate the balanced scorecard into PM methods and tools will drop the balanced scorecard and return to a less organised and less effective set of metrics”.

2.6.2 Alignment to Strategy

According to Kaplan and Norton (2006, p.3), organisational alignment in terms of aligning different units in the organisation produces significant results. It has been found that the difference between high performing organisations and less successful organisations is eminent in the degree of organisational alignment. Further, surveys have indicated that the Balanced Scorecard is considered a top tool for creating organisational integration. According to Kaplan and Norton, (2006, p. 259), it results in the alignment of all systems, processes and units of an organisation to the organisational strategy.

According to Kaplan and Norton (2006, p 245), the organisation is initially aligned when the balanced scorecard is implemented and provides a platform to achieve performance synergy. As the environment is dynamic, the only aspect, which is constant, is change itself. As a result the organisation strategies need to be continually modified when misalignment results from the environment in order to sustain organisational alignment.

2.6.3 Cascading the Balanced Scorecard

According to Niven (2002, p. 201 - 203), cascading the balanced scorecard refers to the development of scorecards at each level in the organisation. The alignment is that strategic objectives and measures are identified and the contribution made to these by lower levels is then tracked to indicate the contribution to overall goals of the organisation. Some lower level measures may be the same as on the high level scorecard and others will be more specific to the lower levels based on their challenges and opportunities experienced as illustrated in Figure 9.

Once the high level scorecard has been created it serves as a template for aligned scorecards to be developed from the top to the bottom of the organisation. This ensures that goals pursued by employees are consistent with and result in the achievement of the organisational strategy. For the cascading to succeed employees must understand the high-level scorecard objectives and measures of the organisation very well. All other scorecards must have a link to the overall objectives of the organisation if value is to be derived from the process.

It is further indicated that most employees other than senior managers do not know how they contribute towards organisational strategy. They continue to contribute towards the content of their job profiles even if it may be out-dated, not knowing their contribution towards the organisation achieving its objectives.

By cascading to the lowest levels in an organisation, it is ensured that day-to-day activities are linked back to the strategy. Employees can be satisfied that what they do is critical to the overall and eventual success of the organisation. Thus cascading not only aligns actions and strategy but it also is considered the key success factor for the balanced scorecard.

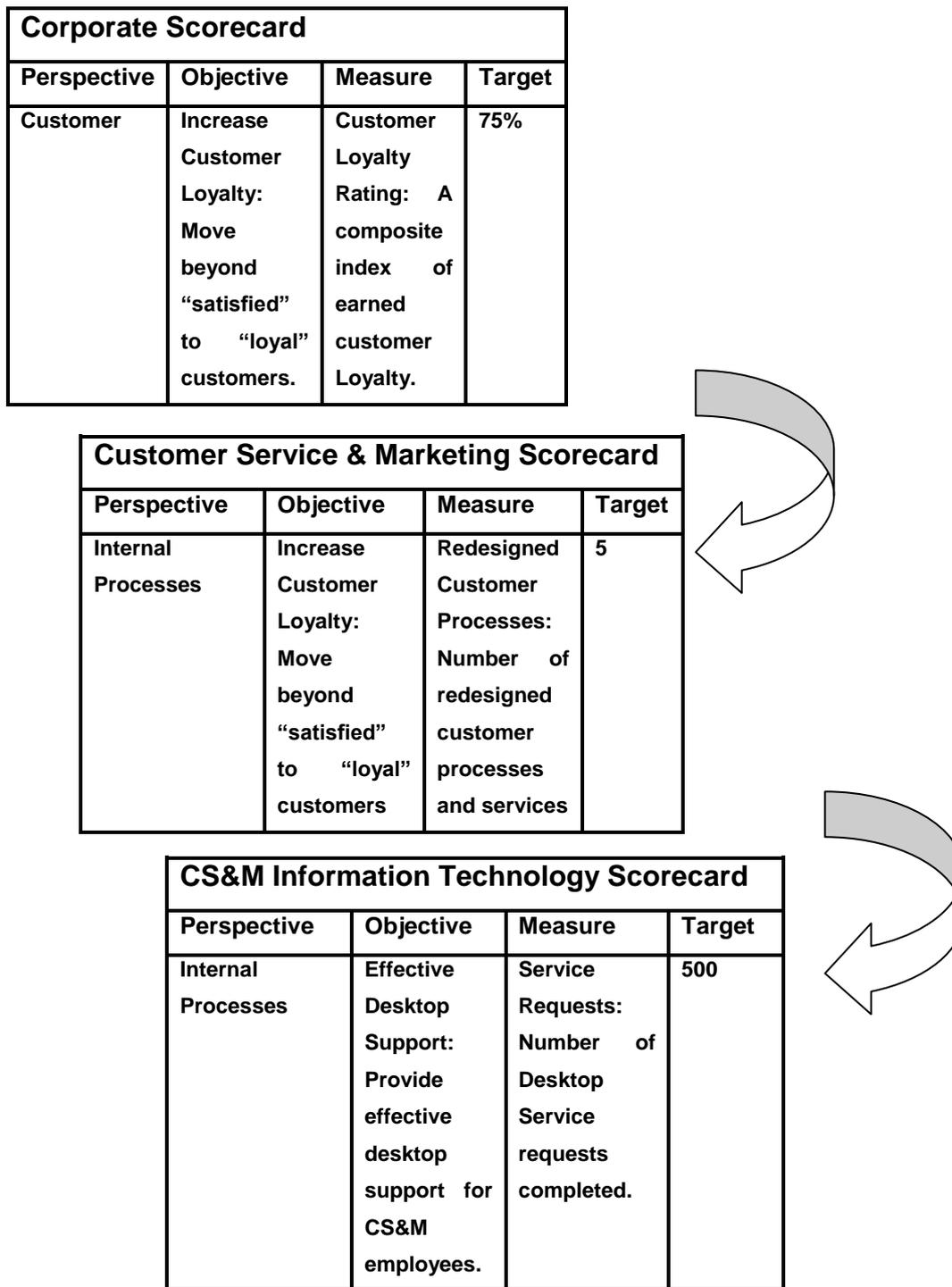


Figure 9: Cascading the Balanced Scorecard at Nova Scotia Power Inc. (Niven, 2002, p. 209)

Niven (2002, p. 209- 212), when cascading is done it should be remembered that not all the high level objectives and measures will rest in all the subsequent scorecards, but only the ones on which they can contribute towards. This would result in each scorecard being developed based on the influence on the high level objectives and based on the skills of the various business units. However it is not unforeseen that groups may consider how they can contribute to specific objectives to which they had never before contributed or influenced. This allows for creativity when cascading.

Employees will require assistance with the cascading of the balanced scorecard. The following tips are offered:

➤ *Clear accountabilities and guidelines should be provided*

To those employees who have never developed a balanced scorecard, it may be necessary to assist them by discussing it often, distribute it to employees, share information in the form of books and articles, and design templates as guidelines for implementation of their balanced scorecard. The process steps with timelines should be known to all in order to ensure that employees know exactly what must be done and by when. Personal assistance and training should be provided to offer further guidance in the development of the scorecard.

➤ *Make use of business plans*

In most organisations the lower levels will have business plans as this is an established practice in most business. The business plan is a great source of information when developing the balanced scorecard. It will contain information on objectives, initiatives, costs and processes. The balanced scorecard may replace the business plan once it is a well established tool in the organisation.

2.6.4 Individual Balanced Scorecards

Niven (2002, p. 213-214), most organisations do not succeed at the development of significant goals and objectives for the individual employee. The lack of alignment of individual goals with organisational goals is the greatest omission of the process. The employees thus do not know how their success impacts on the organisational success. Thus cascading the balanced scorecard to individual level can mitigate problems experienced with performance appraisal processes.

The benefits of having individual scorecards for employees are as follows:

- Awareness is created of the balanced scorecard
- This once again exposes employees to the balanced scorecard principles and techniques
- Commitment is generated towards the scorecard
- When employees are involved in a process it escalates their commitment. Thus by linking their scorecards with objectives and measures their support is gained
- An increased understanding of aligned scorecards
- When employees complete their individual scorecards they need to have a thorough understanding of all the scorecards above them till the high level scorecard. This is also a means of training employees to understand the preceding scorecards
- Offers a clear link from employee goals to organisational strategy
- Employees can show how their contributions lead to improved organisational results
- Goal setting processes are supported
- Employees' goal setting processes are revitalised by using the balanced scorecard.

An example of an individual scorecard could include the cascaded scorecards, the compensation plan and the personal development plan. The cascaded scorecards show the alignment to all relevant other scorecards for that individual as illustrated in Annexure A1 and A2.

2.6.5 Review and Evaluation of Cascaded Scorecards

Niven (2002, p.218-219), the balanced scorecard team should review cascaded scorecards to ensure that proper alignment has taken place, objectives and measure are clearly defined and measurable, and a consistent approach has been implemented. Once these have been discussed with the relevant departments, the scorecards can be opened up to the entire organisation to suggest improvement and clarification. Clarification would entail wording which is more easily comprehensible to the outsider. Another outcome is that departments can make sure that they have provided for measures on other scorecards which impact on them. Interdependencies, which are explicit, would be easier to pick up on than the implicit ones, which would be highlighted in the above process to ensure that nothing is overlooked and complete alignment takes place.

When the cascaded scorecards are being reviewed the following should be observed:

- The link to related scorecards
- The link to strategy
- Appropriateness of targets
- Key objectives are covered
- Inclusion of lagging and leading indicators

2.6.6 Allocation of Resources

Niven (2002, p. 225), states that the link between budget and strategy is absent in sixty percent of organisations. Separate processes are run for business planning, and for strategic planning and for budgeting. Whilst one group is developing the strategic plan, another group is developing the capital and operating budget independently of the first group. This is just as problematic as not aligning employee goals with organisational strategy. The series of cascaded balanced scorecards aims to eliminate this problem with the budgeting process.

Steps to ensure that the budget reflects strategy:

Step One: Plan in advance

Use should be made of current budgetary processes to inform staff that a new method, which is driven by the balanced scorecard, will be utilised, which will link the budget spending with strategy. Training, guidance and support need to be provided by the balanced scorecard team.

Step Two: Develop / refine high level scorecard

The high level scorecard provides and describes the objectives and measures for success.

Step Three: Develop cascaded balanced scorecards

Initiatives in the cascaded balanced scorecards should contain a reference to the strategy which it supports. Even in lower level scorecards, the initiatives should have a link back to the overall objectives of the organisation.

Initiatives are defined as “The specific programmes, activities, projects or actions you will embark on to help ensure that you meet or exceed your performance targets. Initiatives are designed to close the gap between current performance and that embodied in the stretch targets established. The target is your “end in mind” for the performance measure, and to get there you need to determine what investments in initiatives are necessary to guarantee a positive outcome. Investments may be the key word in that sentence; after all, what is a budget if not an exercise in determining appropriate investments – in people, processes, technology, and the like?” (Niven, 2002, p. 230).

Initiatives should provide clearly stated operating and capital budget requirements as illustrated in figure 10.

Business Unit / Department: City Building and Planning Department				
Measure	Target	Initiatives	Resource Requirements	
			Operating	Capital
Customer Satisfaction	80%	Internet Customer Service Portal	\$ 100,000	\$ 50,000
		Remodel of Citizen Service Centre	\$ 25,000	\$ 250,000
		Records Management Programme	\$ 50,000	\$ 150,000

Figure 10: A Simplified Budget Submission Form (Niven, 2003, p. 245)

Step Four: Compile results

A template should be designed in order to be completed with the required funding for initiatives. The initiatives should be detailed to facilitate the decision making process for funding allocation. Once all requests are received, they are prioritised.

Step Five: Budget finalisation

After the above process a gap will exist between the budgetary requirements and the available budget. A rating system may be devised to rate the impact of removing an initiative from the balanced scorecard, in order to determine spending priorities in addition to representations made by management.

2.6.7 Reporting

According to Niven (2003, p. 268-269), the balanced scorecard can be used to set the agenda for management review meetings.

- Employees who attend these management meeting should include not only management but also employees who are knowledgeable about measures contained on the balanced scorecard.
- All measures on the scorecard should be reviewed even if they are on target or exceed target, as it is just as important to sustain the success of these measures, as it is to improve under performance. Key learning can take place from assessing what lead to the success of certain measures and can these be applied successfully elsewhere. Success on a measure could perhaps also indicate that the target was not challenging enough.
- Interrogate reasons for deviation from the target by considering what impacted on the target, whether it was unrealistically set, could the strategy be at fault, have other related measures in the cause and effect link also been impacted by this result.
- A devise for tracking issues raised and commitments made needs to be implemented to ensure that development is taking place towards the improvement of performance.

2.6.8 Performance Dashboards

It is important to have all of the above in place, but a means of monitoring and reviewing performance is important. The preferred way of doing this is by means of performance dashboards.

“A performance dashboard is a multilayered application built on a business intelligence and data integration infrastructure that enables organisations to measure, monitor, and manage business performance more effectively” Eckerson (2006, p. 10).

Different types of performance dashboards can be distinguished, i.e. operational, tactical and strategic dashboards (Eckerson, 2006, p. 105).

Operational Dashboards – operational processes are monitored by supervisors and front-line staff.

Tactical Dashboards – processes, activities and projects are analysed by analysts and managers.

Strategic Dashboards – strategic objectives are managed by staff and executives.

All three dashboards provide varying degrees of related functionality i.e. monitoring; analysis; and management with greater emphasis for each type of dashboard.

2.7 CONCLUSION

The various definitions on both individual and organisational performance management indicate that there is no clearly defined concept as it is complex terminology and not easy to unpack and provide a one-size fits all.

Various performance management models have been described above. The Public Services Excellence Model comprises three sections i.e. enablers, organisational results and programme results. These three sections are said to provide a “balance scorecard” for public sector use.

The European Foundation for Quality Management model indicates leadership as the driver of policy and strategy; resources and people management. The processes and enablers provide solutions to performance improvement leading to a business result of excellence.

The Three Es: Economy, Effectiveness and Efficiency are seen as interrelated elements towards monitoring and measuring performance and service delivery. It provides the link between inputs, outputs and outcomes.

The South African Excellence Model provides a generic plan striving towards performance excellence. As a result of the successful use of the model in improving organisational performance, internationally recognised criteria have been implemented.

The Satellite Model of Organisational Performance recognises that contributions to organisational performance management are varied. It is further indicated that these contributing factors are interrelated, as strategy is an integrated plan.

The Systems Model of Performance Management has four main components i.e. inputs, processes, linkages and outputs. The systems approach views performance management as a total system. The important aspect here is seen as the processes and systems as it is here where the most improvement in performance can take place.

The Balanced Scorecard model takes into account more than just the financial aspect and includes the customer, internal processes as well as learning and growth. These perspectives contain performance objectives and measures, which are developed to ensure that the vision and strategy are implemented.

The Balanced Scorecard for Public Sector use is an adaptation of the original model for private sector use. The adaptation recognises that the customer perspective is the driver in public sector as apposed to the bottom-line in private sector. Much more emphasis has been placed on the balanced scorecard model, as this is the methodology employed in the case study, which is to be reviewed later.

Strategy implementation using the balanced scorecard was reviewed and included a look at the alignment to strategy, cascading of objectives and indicators right down to individual level, including reviewing of these scorecards, allocation of resources and reporting on them.

A review was done of performance dashboards, as the best methodology employed does not ensure that information will be readily available for decision-making purposes. Thus once implementation has taken place a means of extracting accurate and timely data is required.

Monitoring and evaluation of the model, legislative changes, as well as implementation needs to take place regularly to ensure that the necessary changes are made.

In the next chapter a review will be conducted on the legislative environment within which local authorities in South Africa have to operate within. Utilising the City of Cape Town as a case study to ascertain how the implementation has taken place will then follow this.

CHAPTER 3. LEGISLATIVE ENVIRONMENT OF PERFORMANCE MANAGEMENT IN SOUTH AFRICA

3.1 INTRODUCTION

Various legislation governs the organisational performance management in local government. These include the Municipal Systems Act (2000), The Municipal Finance Management Act (2003), as well as various circulars issued by treasury and the Department of Provincial and Local Government to provide additional information and guidance to municipalities on how to implement these systems in order to remain within laid down requirements and to provide consistency.

It could be said that the legislative context of performance management in Local Government makes it a daunting task as compared to private sector. This section reviews in excess of ten articles of legislation which impacts on local government performance management.

All of the following sets of legislation and policy guidelines will be reviewed in terms of its contribution to organisational performance management as well as the impact it has on local government.

- The Constitution of South Africa (1996)
- White Paper on Transforming Public Service Delivery (1997)
- White Paper on Local Government (1998)
- Municipal Structures Act (1998)
- Municipal Systems Act (2000)
- Municipal Planning and Performance Management Regulations (2001)
- Municipal Systems Amendment Act (2003).
- Municipal Finance Management Act (2003) – Including Circular13
- Public Audit Act (2004)
- Intergovernmental Relations Framework Act (2005)
- Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Manager (2006)
- Framework for Managing Programme Performance Information (2007)

3.2 THE CONSTITUTION OF SOUTH AFRICA, 1996 (Act 108 of 1996)

According Fourie et al (2006, p. 2-4), the South African Constitution gave effect to the local government sphere being given the primary responsibility of service delivery. The powers of the different spheres of government are outlined in the Constitution. Local Government powers and duties etc. is detailed in chapter 7 of the Constitution. Local Government comprises of municipalities for the entire country. These municipalities are categorised based on its status in one of three categories i.e.

Category A – Metropolitan Municipalities

Category B – Local Municipalities

Category C – District Municipalities

The constitutional mandate in terms of powers and functions of local government is covered in schedule 4 part B and schedule 5 part B as well as any other matter that provincial or national government may assign to it.

Section 155 of the Constitution provides for provincial government to establish municipalities as well as make provision for the monitoring of local government in the province as well as support. Further the national and provincial government have the duty to ensure effective performance of municipalities in terms of their constitutional mandate as set out in Schedule Four part B and Schedule Five Part B.

3.3 WHITE PAPER ON TRANSFORMING PUBLIC SERVICE DELIVERY (1997)

The following section provides a brief analysis of the White Paper on Transforming Public Service Delivery (1997) – Batho Pele “People First”.

Though this White Paper refers to the national and provincial parts of the public sector, it also includes local government as an area of the public sector. The scope thus covers local government and the Batho Pele Principles are applicable. The eight Batho Pele Principles are briefly as follows:

1. consultation

2. service standards
3. access
4. courtesy
5. information
6. openness and transparency
7. redress
8. value for money.

Batho Pele Principles thus encourage service excellence at all levels in government. It looks at the improvement of services from a holistic approach. It includes the need for inclusive government which set predetermined standards; access to identified services; to be treated with respect; to be accessible to the community and provide information which is required; to redress inequalities of the past and to provide services at the most economical cost without compromising standards to the public.

Further section 5.2 states, "Performance Management Procedures must in future include as assessment of the performance of individual staff in contributing to improving service to the public". It further states that innovation should be encouraged and excellence should be rewarded. Rewards should be identified for both individual and group efforts at improving service delivery.

The highest standards should be set and benchmarked internationally bearing in mind South Africa's developmental challenges. These should however not compromise the attainment of a world-class destination.

3.4 WHITE PAPER ON LOCAL GOVERNMENT (1998)

A Summary Brief on the White Paper on Local Government (Vol 4.no.1) will be used to discuss the first part of this section.

The White Paper on Local Government was released by the Ministry for Provincial Affairs and Constitutional Development. Prior to this White Paper, Local Government was guided by the Local Government Transition Act of 1993.

Within the Constitutional framework, a new developmental local government system is envisaged by the White Paper. This vision comprises four key elements i.e.

- Maximising social development and economic growth
- Democratising development
- Leading and learning
- Integrating and Co-ordinating

The latter element is to be facilitated by municipalities with the development of integrated development plans (IDPs) as governed by the Development Facilitation Act of 1995.

The Department of Provincial and Local Government (DPLG), has been mandated by Cabinet to review provincial and local government work. During this process a white paper on provincial government will be developed and the white paper on local government will be reviewed.

In order to facilitate this process and acquire participation from the public, organisations and structures as well as interest groups and experts, a questionnaire was developed. In addition to this interest papers can also be submitted on issues to be considered with the policy review. By 31 October all responses should be submitted to DPLG. It is envisaged that the new white paper on provincial government and the revised white paper on local government will be completed by 2008.

Reasons sited for embarking on this process included changing demands necessitating an assessment of current governance forms.

Questions with direct relevance to performance management are as follows:

“F: Municipalities are dependent on a strong revenue base to sustain their viability and need strategies to support this.

25. How can a municipality better account for its performance and for its use of public resources?

S: The use of different statistical data sets for measurement and an effective system of monitoring and evaluation remains a challenge within and across spheres of government.

63. How effective is the system for monitoring and service delivery within the three spheres of government? How can this system be improved?

64. What should be done to streamline different data sources within the spheres of government?

65. What mechanisms should government introduce to ensure that the country as a whole uses commonly agreed definitions and statistical data sets for measuring developmental outcomes?

T: The coordination of reporting progress on service delivery impact among the spheres of government remains a challenge

66. What should be done to improve the coordination of reporting service delivery progress within the spheres of government?"

The next section looks at the Municipal structures Act and more specifically at the role of the executive Mayor in performance management is enhanced.

3.5 MUNICIPAL STRUCTURES ACT, 1998 (Act 117 of 1998)

According to Fourie et al (2006, p.5), establishment, structuring and operations of municipalities are outlined in the Municipal Structures Act.

The Municipal Structures Act (section 56 (2&3)), further determines the functions and powers of Executive Mayors. These include recommending, through the integrated development plan and estimates of expenditure and revenue, on strategies, services and programmes to address priority needs.

The Executive Mayor must also identify and develop criteria for the strategies, services and programmes to be evaluated in terms of its' implementation progress. Specific and general key performance indicators are also to be identified and developed. Progress should also be evaluated against these key performance indicators. The executive Mayor should also review the performance of the municipality with the aim of improving *inter alia* on economy, efficiency and effectiveness.

The next section will outline the requirements in the Municipal Systems Act in relation to community participation, the integrated development plan, performance management and monitoring.

3.6 MUNICIPAL SYSTEMS ACT, 2000 (Act 32 of 2000)

According to Fourie et al (2006, p. 5), the MSA sets out the mechanisms and processes required by municipalities to effect service delivery.

The following section analysis the Municipal Systems Act (2000) in terms of performance management requirements. Chapters 4,5,6 and 10 will be reviewed more closely as they have a direct impact on and govern performance management.

Chapters, which will be highlighted here, are as follows:

Chapter 4 : Community Participation

A municipality, must for the purposes of participatory governance, create conditions and encourage the local community to participate in municipal affairs such as the:

- integrated development plan preparation, implementation and review;
- performance management system establishment, implementation and review;
- performance monitoring and review including outcome and impact of performance;
- budget preparation;
- decisions on provision of municipal services

The community should be capacitated in order to participate in municipal affairs and councillors and staff should be capacitated to encourage community participation.

The participation should not interfere in the right of the municipal council to exercise the executive and legislative authority and to govern the municipality.

Community participation should take place in terms of provisions of the Municipal Systems Act, The Municipal Structures Act as well as other appropriate mechanisms. The municipality should communicate information to the community regarding mechanism, procedures and processes which are available and when doing so should take cognisance of language preferences as well as special needs.

A municipal council may not exclude a member of the public when it considers a draft by-law; the budget; the draft IDP or any amendment; the draft performance management system or any amendment or any other matters which are prescribed by regulation.

Chapter 5 : Integrated Development Planning

The Municipal Systems Act regulates the development of integrated development plans for Municipalities. The IDP reflects the strategy of the Municipality. This strategy is developed for a five year period and is reviewed annually as prescribed by legislation.

The integrated development plan is a strategic plan for the development of the municipality which must be adopted by a municipal council within a prescribed period of time after the start of its elected term of office. It guides all decisions regarding planning, development and management in a municipality.

As a core component the integrated development plan must contain *inter alia*, key performance indicators and targets. The IDP must be reviewed annually in line with performance measurement assessment.

As the aforementioned is a basis, the SDBIPs are developed and are to be aligned to the IDP.

It is from this point that the organisational performance management system takes its queue.

Chapter 6 : Performance Management

This chapter of the Act outlines aspects of performance management dealing with the establishment and development of a performance management system, monitoring and review of the system, setting of indicators and targets, reporting, community involvement, notification to internal and external role-players, auditing of performance measurements and reflecting a performance report in the Annual report, submission of report by the MEC as well as compiling regulations and guidelines.

A municipalities must establish a performance management system which is :

- “ (i) commensurate with its resources
- (ii) best suited to its circumstances
- (iii) in line with its priorities, objectives, indicators and targets contained in its integrated development plan”.

It should also be ensured that a performance management culture exists amongst all role-players and that the most effective and efficient methods are employed in its administration.

Mechanisms should be established in order to monitor and review the municipality's performance management system.

Based on its performance management system and in line with regulations and guidelines, a municipality must:

- “(a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's

- development priorities and objectives set out in its integrated development plan;
- (b) Set measurable performance targets with regard to each of those development priorities and objectives;
 - (c) With regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraph (a) and (b)-
 - (i) monitor performance ; and
 - (ii) measure and review performance at least once per year;
 - (d) takes steps to improve performance with regard to those development priorities and objectives where performance targets are not met; and
 - (e) establish a process of regular reporting to-
 - (i) the council, other political structures, political office bearers and staff of the municipality; and
 - (ii) the public and appropriate organs of state ”.

The system which the municipality uses for section 1(c) should be able to point out under performance in advance.

Section 49 of the Act makes provision for the creation of regulations and guidelines by the Minister on performance management which provide or regulate for *inter alia*, setting and reviewing of key performance indicators; identification of general key performance indicators which can be applied to all municipalities in terms of developmental orientated planning; a framework for performance targets and mechanisms, systems and processes to enable monitoring and measuring its developmental objectives; internal auditing and assessment of performance measurements; assessing progress with implementation of a municipalities integrated development plan and; improvement of performance.

The regulations and guidelines have to take account of the capacity of the municipalities to comply. The provisions which have a financial or administrative burden on municipalities may be phased in by the municipality and a notice placed in the Gazette.

According to Fourie et al (2006, p. 7), the MSA and MFMA are complimentary to each other and should not be read in isolation of each other as there is close alignment and linkages between the two sets of legislation as well as other legislation.

Chapter 10: Provincial and National Monitoring and Standard Setting

The provincial MEC for local government must establish mechanisms, processes and procedures to monitor municipalities as well as the development and strengthening of its capacity. The MEC may also request information from municipalities, but are required to take into account information that is already submitted such as annual reports when it exercises its powers. It should also consider the administrative burden, the cost as well as existing performance mechanisms, processes and systems of a municipality.

The MEC must by way of a written notice request a municipal council or manager to provide information or designate someone to investigate a matter if maladministration or any serious malpractice is or has taken place. The MEC must by written statement motivate the course of action to the National Council of Provinces.

To supplement the contents of the Municipal Systems Act, the Municipal Planning and Performance Management Regulations were developed.

3.7 MUNICIPAL PLANNING AND PERFORMANCE MANAGEMENT REGULATIONS (2001) MPPMR

The Municipal Planning and Performance Management Regulations provide regulations pertaining to Integrated Development Planning and Performance Management. It also includes regulations on “Community Participation in respect of integrated development planning and performance management”.

According to the MPPMR the municipal performance management system comprises a framework which provides a description of the cycle and processes of performance :

- planning
- implementing
- monitoring
- measurement
- review
- reporting – frequency and accountability
- improvement
- roles of role-players including the community
- relating to individual performance management processes
- procedure to link to the integrated development planning processes

The system should be adopted by the time that key performance indicators and targets are set in line with the IDP. These indicators should have a combination of input, output and outcome indicators for each development priority and objective as well as the key performance indicators prescribed by the MSA, section 43. The indicators should inform those of the administrative units and employees as well as municipal entities and service providers with whom the municipality has a service level agreement. These indicators should be reviewed annually as well as when the IDP is reviewed and if relevant indicators are affected by the amendment. Each indicator should have a target set for it for each financial year.

These indicators and targets need to be monitored measured and reviewed and mechanisms to do so should be developed and implemented. The mechanism implemented should allow bi-annual reporting to the council, early detection of under-performance and for corrective measures to be taken. Strengths, weaknesses, opportunities and threats of indicators being achieved should be identified.

Internal auditing processes should also make allowance for auditing of performance measurement results, as well as the system, legislative compliance and reliability in measurement of indicators. Audits of performance measurement should take place

on a continual basis and submit reports on a quarterly basis to the municipal manager and the audit committee.

The performance audit committee must comprise of at least three members of which the majority should be external to the municipality, thus not a councillor or employee. The committee should appoint at least one performance management expert. An existing audit committee established in terms of other legislation may also be utilised as the performance audit committee. The committee must review quarterly performance reports, review the performance management system and make recommendations and submit an audit report at least twice in the financial year to the municipal council.

A forum must be established to enhance community participation in drafting and implementation of the IDP; development, implementation and review of the performance management system and; in monitoring measurement and review of key performance indicators and targets.

Subsequent to the Municipal Systems Act of 2000 certain amendments were made to it and the relevant amendments that were made will be reviewed next.

3.8 MUNICIPAL SYSTEMS AMENDMENT ACT (Act 44 of 2003)

The Municipal Systems Amendment Act provides for changes to the Municipal Systems Act of 2000. Amendments of particular note here are in terms of section 46 of the Act, which relates to Annual Performance Reports.

During the same period the Municipal Finance Management Act was developed.

3.9 MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (Act 56 of 2003)

The most important sections in the Municipal Finance Management Act relating to and impacting on performance management will be discussed in this section of the

chapter. Components looked at will include the service delivery and budget implementation plan, reporting, and budget and performance assessments.

Service Delivery and Budget Implementation Plan (SDBIP), is defined as:

“ a detailed plan approved by the mayor of a municipality in terms of section 53 (1)(c)(ii) for implementing the municipality’s delivery of municipal services and its annual budget, and which must indicate-

(a) projections for each month of-

- (i) revenue to be collected by source; and
- (ii) operational and capital expenditure, by vote;

(b) service delivery targets and performance indicators for each quarter; and

(c) any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54 (1)(c)” (MFMA, section 1).

Section 72 of the MFMA prescribes what must be included in the mid-year budget and performance assessment for the first half of the financial year by the 25th of Januarys every year. *Inter alia*, it should include financial statements, the service delivery performance as set out in the SDBIP, resolutions to problem highlighted in the previous year’s annual report, performance of municipal entities under its control. This report should be submitted to National Treasury, the relevant Mayor and provincial treasury.

In January 2005 National Treasury published further guidelines on the Service Delivery and Budget Implementation Plan under MFMA Circular No. 13.

MFMA Circular 13 states that the budget gives effect to the municipality’s strategic priorities and that if the budget and IDP are totally aligned, then the SDBIP gives effect to the municipalities IDP and budget.

The SDBIP is an implementation, monitoring and management tool. It serves as a contract for a twelve-month period, which specifies the objectives as measurable outcomes, between the council, the community and the administration.

In addition to the definition provided by the MFMA, Circular 13 also includes the following two components to the SDBIP.

- “Ward information for expenditure and service delivery
- Detailed capital works plan broken down by ward over three years”

The ward information facilitates councillors and ward committees to monitor service delivery in their respective wards.

The high level SDBIP is presented to council and the public for information purposes only. The lower level SDBIPs are not published or presented to council.

The lower level SDBIPs are dynamic and thus could be continually adjusted. The adjustment of the high level SDBIP must be presented to council for approval after an adjustment budget has been approved. This is to ensure that targets are not adjusted down as a result of poor performance.

MFMA Circular 13 acknowledges that the service delivery targets are much harder to determine and compile indicators around. It is considered a challenge to develop indicators that both measure service delivery as well as the quality of such services. Where possible, service delivery statistics should be presented per ward with levels and standards.

The first two components of the SDBIP necessitate financial information, the third component that deals with quarterly projections of service delivery targets and performance indicators for each vote, require non-financial information. This includes service delivery targets as well as other performance indicators, which are output focused.

All spheres of government are subject to external auditing. To this end the Public audit Act governs this function and this will be reviewed next.

3.10 PUBLIC AUDIT ACT, 2004 (Act 25 of 2004)

According to Fourie et al (2006, p. 11), the Office of the Auditor-General was established for external auditing purposes of all spheres of governments. No organ of state may interfere with the functions of the Auditor-General. The Auditor-General is accountable to the National Assembly in terms of its Constitutional functions.

The Public Audit Act of 2004 provides the legislative environment, which regulates the powers and functions of the Auditor-General as provided for in the Constitution.

“The Constitution establishes the Auditor-General as the external auditor of all national and provincial state departments and municipalities, and any other institutions or accounting entities required by national and provincial legislation to be audited by the Auditor-General” (Public Audit Act, 2004, p.2).

More specifically section 20 (2)(c) states that the audit report should contain inter alia an opinion or conclusion on :

“the reported information relating to the performance of the auditee against predetermined objectives”.

The Auditor-General reports to the National Assembly and the National Assembly must make provision for a mechanism for oversight over the Auditor-General.

3.11 INTERGOVERNMENTAL RELATIONS FRAMEWORK ACT, 2005 (Act 13 of 2005)

According to Fourie et al (2006, p. 14), the Intergovernmental Relations Framework Act provides a framework within which the three spheres of government are to operate in terms of intergovernmental relations and disputes. The objectives are inter alia to ensure :

“Coherent government

Effective service provision

Monitoring implementation of policy and legislation

Realisation of national priorities”.

A consultative forum – a Presidents Coordinating Council - established by the act to consult and discuss matters of mutual interest between local government and province. One of its functions to discuss service provision performance and advise if need be. They also consider reports, which deal amongst other with municipal performance.

3.12 LOCAL GOVERNMENT MUNICIPAL PERFORMANCE REGULATIONS FOR MUNICIPAL MANAGERS AND MANAGERS DIRECTLY ACCOUNTABLE TO MUNICIPAL MANAGERS (2006)

These regulations are applicable to Managers appointed in terms of Section 57 of the Municipal Systems Act of 2000. The regulations address the Employment Contract and Performance Agreement of Section 57 Managers. The context of the aforementioned should be seen to enable the implementation of the Integrated Development Plan of the municipality.

The objectives and targets in the Performance Agreement are to be aligned with the IDP, SDBIP and Budget of the municipality. The agreement is valid for a financial year and can be revised by mutual consent of the parties where circumstances necessitate this. In addition to objectives and target, target dates and weightings should also be agreed.

3.13 FRAMEWORK FOR MANAGING PROGRAMME PERFORMANCE INFORMATION (2007)

Key concepts on performance information are outlined in the framework. These include the planning, budgeting and reporting cycle, developing performance indicators and targets, managing and publishing performance information, as well as roles and responsibilities.

The aims of the framework are to:

- “Clarify definitions and standards for performance information in support of regular audits of such information where appropriate
- Improve integrated structures, systems and processes required to manage performance information
- Define roles and responsibilities for managing performance information
- Promote accountability and transparency by providing Parliament, Provincial legislatures, municipal councils and the public with timely, accessible and accurate performance information”.

The framework is applicable to all spheres of government.

3.14 CONCLUSION

The above legislation and policy guidelines gives an indication of how complex the environment is in which Local Government has to conduct performance management. Every bit of legislation has to be conformed to in a complex political environment.

The range of legislation is vast yet covers every aspect which is required to ensure a sound system which is comprehensive and reliable.

The Constitutional mandate of local government indicates which types of activities and which services are to be provided by local government to its citizens. The white paper on Transforming Public Service Delivery – Batho Pele Principles – provides the spirit in which service delivery should take place to ensure service excellence to all in the municipal area. The Municipal Structures Act provides the setting up of structures in the municipality to enable service delivery to take place in a controlled manner.

The White Paper on Transforming Public Service Delivery provides eight principles called the Batho Pele Principles. These principles encourage service excellence at all levels in government.

The White Paper on Local Government envisages a new developmental local government system. It highlights four key elements. This white paper is in the process of being reviewed and a white paper for Provincial Government being developed.

The Municipal Structures Act governs the establishment, structuring and operation of municipalities and more specifically highlights the role of the Executive Mayor in performance management.

The Municipal Systems Act provides for putting systems in place in order to facilitate the provision of services according to the local government constitutional mandate. The systems covered for the purposes of this paper include community participation,

integrated development planning, performance management and provincial and national monitoring and standard setting.

The Municipal Planning and Performance Management Regulations provide greater clarity on the Municipal Systems Act in terms of integrated development planning, performance management and community participation. These regulations provide greater detail on how these aspects, which are legislated in the MSA, should be implemented.

The Municipal Systems Amendment Act provides for amendments to the Municipal Systems Act of 2000 and a particular amendment referred to here is in relation to Annual Performance Reports.

The Municipal Finance Management Act provides the legislative environment around financial and budgetary consideration. The aspects, which were highlighted, are the ones pertaining to whether directly or indirectly having an impact on performance management.

The Public Audit Act provides the environment within which the Auditor General operates and what powers and function it has in auditing government bodies.

The Intergovernmental Relations Framework Act provides for mechanisms which legislate a framework for the three spheres of government within which to deal with intergovernmental issues and disputes.

The Local Government Municipal Performance Regulations For Municipal Managers and Managers Directly Accountable to Municipal Managers address the Employment contract and the Performance agreements of Section 57 Managers in municipalities.

The Framework for Managing Programme Performance Information provides a framework for all spheres of government. It includes the planning, budgeting and reporting cycle as well as practical information on indicators, targets, and the management and publishing of performance information.

The following chapter will look at a case study to ascertain how the legislative implementation has taken place. The City of Cape Town organisational performance management system will be researched. The chapter will cover the background to their performance management system as well as their policies and procedures relating to performance management.

CHAPTER 4. CASE STUDY: CITY OF CAPE TOWN (COCT)

4.1 INTRODUCTION

To obtain legislative compliance, the City of Cape Town, like all municipalities in South Africa had to introduce a performance management system. The most significant guidance for this was outlined in the previous chapter that reviewed all applicable legislation pertaining to performance management.

The City of Cape Town Local Government Municipality will be reviewed in this chapter as a case study. Various documentation available in the city relating to performance management will be reviewed. It should be noted however that the scope of this research does not include performance management in terms of external service providers and municipal entities.

A brief background to the City of Cape Town as well as where the organisational performance management business unit fits in will be provided. This will be followed with a background to the performance management in the City when a pilot project was embarked upon to implement PM.

The 2007 / 2008 to 2022 / 2012 IDP will be reviewed in terms of how it shapes the environment for performance management. A Strategic Plan is developed for a five year period and is reviewed annually. The Service Delivery Budget Implementation Plan for 2007 / 2008 will also be reviewed in relation to its contribution to organisational performance management.

The performance management policy will be reviewed mainly looking at sections dealing with organisational PM as well as the PM system that is in place in the COCT.

Following this, the COCT remuneration policy will be reviewed, focusing mainly on the aspect of PM reward / bonuses.

The objectives of this chapter are to provide:

- a background to the City of Cape Town Municipality
- a background to Organisational Performance Management in the City
- An overview of the Integrated Development Plan
- An overview of the Service Delivery and Budget Implementation Plan
- An overview of the Performance Management Policy
- An overview of the Remuneration Policy

4.2 BACKGROUND TO THE CITY OF CAPE TOWN MUNICIPALITY

The City of Cape Town Council was established following the amalgamation of Blaauwberg Municipality, City of Cape Town, City of Tygerberg, Helderberg Municipality, Oostenberg Municipality, South Peninsula Municipality and the Cape Metropolitan Council, on 6 December 2000 (www.citi.org.za).

- Mr Peter Marais was then elected as Mayor of Cape Town (Burger, 18 December 2000).
- Mr Robert Maydon was appointed City Manager of Cape Town to commence on 2 April 2001 (Cape Times, 29 March 2001).
- Mr Peter Marais resigned as Mayor on 21 November 2001 (Star, 22 Nov. 2001).
- On 13 December 2001 Mr Gerald Morkel was elected as Mayor of Cape Town (Cape Argus, 14 December 2001).

Since then the following changes have taken place in the City of Cape Town leadership. Press Releases as issued by the City Of Cape Town (www.capetown.gov.za/press/Archive.asp)

- **October 2002** - Here floor crossing has swung the balance of power from the Democratic Alliance to the African National Congress / New National party alliance. It was expected that this would effectively lead to the election of a new Mayor and a restructured hierarchy (28 October 2002).

- **October 2002** - Nomaindia Mfeketo is appointed as Mayor for the second time. This resulted from the floor crossing, which took place (29 October 2002).
- **January 2003** - Wallace Mqoqi was appointed as City Manager by the Executive Committee of the City Of Cape Town (29 January 2003).
- **May 2005** - The new top management team, known as Ikhwezi had been appointed and its strategic initiatives were announced (May 2005).
- **15 March 2006** - New Mayor is elected – Helen Zille (no press release issued).
- **May 2006** - The appointment of Achmat Ebrahim as City Manager of Cape Town is announced (31 May 2006).
- **July 2006** – A new structure for the City Of Cape Town is announced (31 July 2006).

The City currently employs 21 297 employees in various occupational categories (<http://www.capetown.gov.za/idp/>) and has a R20,3 billion budget for the 2007/2008 financial year. The operating budget is R16.5 billion and the capital budget is R3.8 billion (IDP Summary, p4).

The City of Cape Town is a Category A municipality i.e. a metropolitan municipality which is characteristic, inter alia, of multiple industrial areas and business districts, high population density and an intense movement of people, merchandise and services Fourie et al.

This is also illustrated in that the total area of the City of Cape Town is 2 461km² with a population size of 3.27million (projected from the 2001 census statistics) and an estimated 904 000 households

(<http://www.capetown.gov.za/censusinfo/CityStatistics/>).

The following map illustrates the scope of the City as well as the Sub-council boundaries. The City of Cape Town is divided into 23 Sub-councils, which comprise of 105 Wards.



Map 1: City of Cape Town Boundary

The City Manager has eleven Executive Directors reporting to him and they in turn head Directorates that comprise of various departments. The OPM business unit is situated in the IDP & OPM department in the Service Delivery Integration directorate.

The following section will illustrate where the OPM business unit is placed on the organisational structure. The directorates are as follows:

- Corporate Services
- Finance
- Health
- Economic and Social Development
- Integrated Human Settlements (Housing)
- Strategy and Planning
- Safety and Security
- Community Development
- Utility Services
- Transport, Roads and Stormwater
- **Service Delivery Integration**

The Service Delivery Integration Directorate consists of the following Departments:

- Development Services
- 2010 (Soccer World Cup)
- Information Systems and Technology
- Urban Renewal Programme
- **Integrated Development Planning and Organisational Performance Management Department**

The IDP & OPM department consists of three business units i.e.

- IDP Process Management
- SDBIPs and Business Planning
- **Organisational Performance Management**

See Annexure B1 and B2 - Structure of the City of Cape Town (www.cityweb.capetown.gov.za).

The Forensics Department and the Ombudsman's Office reports directly to the Executive Mayor, but administratively to Internal Audit which is headed by the Chief Audit Executive (www.cityweb.capetown.gov.za/press , No. 238 / 2006, 31 July 2006).

4.3 BACKGROUND TO PERFORMANCE MANAGEMENT IN THE CITY OF CAPE TOWN

The following information was obtained from a report (Adoption of the Balanced Scorecard Methodology for the City's Organisational Performance Management System, 2003).

A National pilot project about performance management for municipalities was embarked upon and the City of Cape Town also participated in this project. The project commenced in July 2001 and was completed in August 2002. An Auditor-General Report indicated their satisfaction with the process followed after the completion of the National pilot project. The City of Cape Town as a municipality then subsequently embarked on a pilot project on performance management during March 2002. After the pilot project was concluded in August 2002 the system was rolled out to all directorates.

This is where the City of Cape Town originated the use of the Balanced Scorecard. Subsequently a report was compiled to obtain adoption of the Balanced Scorecard as a methodology for organisational performance management. This adoption of the balanced scorecard took place on 26 March 2003 by the Council of the City of Cape Town in compliance with Section 39 of the Municipal Systems Act of 2000. Thus during 2003 an Executive decision was taken to use the Balanced Scorecard as an approach to performance management within the City of Cape Town.

A web-based tool was designed to capture performance information and to use as a management tool to track and monitor progress on key performance indicators business plan performance (www.cityweb.capetown.gov.za/balancedscorecard/).

During 2005 organisational and individual performance management was rolled out further in the organisation. Individual performance management was implemented for Section 57 employees i.e. the City Manager and Executive Directors as well as the next two levels in the organisation i.e. for Directors and Managers.

According to the IDP (2006 / 2007, p. 114), the Balanced Scorecard is still being used by the City. The indicators are in the four perspectives of the Balanced Scorecard i.e. Community/Customer, Financial, Internal Business Processes and Learning and Growth.

4.4 THE INTEGRATED DEVELOPMENT PLAN

The development of an IDP is a legislated requirement.

The City of Cape Town (COCT), for the 07 / 08 financial year has listed in its' Five Year Plan its' strategic focus areas and written up objectives which need to be implemented in order to achieve the objectives which were set. These are published in the IDP 2007/2008 – 2011/2012, a five year strategy (www.capetown.gov.za/idp).

The seven strategic focus areas are as follows:

Strategic Focus Area 1: Shared Economic Growth and Development

Strategic Focus Area 2: Sustainable Urban Infrastructure and Services

Strategic Focus Area 3: Public Transport Systems

Strategic Focus Area 4: Integrated Human Settlements

Strategic Focus Area 5: Safety and Security

Strategic Focus Area 6: Health, Social and Human Capital Development

Strategic Focus Area 7: Good Governance and Regulatory Reform

Key Performance Objectives are then developed for each of these Strategic Focus Areas. Key performance indicators with annual targets are then developed for the

five year period. For the next financial year the annual target is provided on a quarterly basis (www.capetown.gov.za/idp).

The City's IDP must be aligned with the initiatives of national and provincial government to ensure that the combined efforts of the spheres of government provide optimal impact. These include the following six elements:

- Accelerated and Shared Growth - South Africa (ASGI-SA)
- The National Spatial Development Perspective (NSDP)
- The National Strategy for Sustainable Development (NSSD)
- The Provincial Growth and Development Strategy (PGDS)
- The Provincial Spatial Development Framework (PSDF)
- The Intergovernmental Development Agenda for Cape Town

The next five years of the IDP cycle starts in the 2007 / 2008 financial year and plans till the 2011 / 2012 financial year. The IDP document contains *inter alia*, strategic focus areas, the financial strategy, the prioritising of resource allocation, governance and institutional arrangements and the five year development direction. In addition it also contains the :

- the draft corporate scorecard 2007 – 2012

The draft corporate scorecard contains objectives, indicators and targets for the next five financial years. It also contains the baseline for the 2006/2007 financial year.

- scorecard indicator definitions

The scorecard indicator definitions provide greater clarity to the corporate key performance indicators in terms of how it is measured etc.

The latter two sections are also incorporated in the SDBIP.

Objectives are outlined for each strategic focus area. Key performance indicators are developed for each of these objectives for the purposes of implementation, monitoring and reporting on performance. The corporate scorecard outlines the indicators and objectives.

4.5 THE SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The corporate SDBIP is a legislated requirement. The 07/08 SDBIP of the City of Cape Town was signed by the Mayor 28 days after the tabling of the budget. The Mayor thus signed the 07/08 SDBIP on 27 June 2007.

The SDBIP (SDBIP, 2007/2008) contains the -

- Five year corporate scorecard for 2007 to 2012
This scorecard for 2007 to 2012 provides the strategic focus area, the lead directorate, contributing directorates, objectives, indicators, baselines and quarterly targets.
- 2007/2008 service delivery and budget implementation plan (one year corporate scorecard)
In addition to the contents of the above five year corporate scorecard, this one year SDBIP also contains the quarterly targets for each indicator.
- Corporate scorecard indicator definitions for 2007-2012
The corporate scorecard indicator definitions for 2007-2012 which is also contained in the IDP provides a further detail on each indicator in the corporate scorecard including benchmarks.
- The three year capital plan
This provides a breakdown of the capital budget over a three year period per strategic focus area and objectives as contained in the IDP. It is also further broken down into capital budget into actual planned projects per Sub-council and Wards.
- Monthly projections of revenue by source
This provides the projected monthly income from various sources.
- Monthly projections of expenditure by vote (department)
This provides the projected monthly expenditure per department.

The business plan (City of Cape Town Departmental Business Plan Template for 2007/2008) sets out the:

- purpose and objectives of the department;
- legislative and regulatory requirements which impact on the department;
- the current capital and operating budget provision as well as the staff complement;
- challenges and resource constraints;
- IDP / corporate scorecard alignment

In addition to the above template, a corporate scorecard plan template and a departmental strategy / operational plan are also completed where relevant (Operationalising the IDP, 2007/2008).

4.6 CITY OF CAPE TOWN PERFORMANCE MANAGEMENT POLICY AND SYSTEM

Currently there is an approved performance management policy which deals with both individual and organisational performance management (Performance Management Policy, 2005).

The City's performance management policy (2005, p. 2), sets the core components of its performance management system as:

- "Setting of appropriate key performance indicators
- Setting of measurable performance targets
- Monitoring performance
- Measuring and reviewing performance at least once a year
- Taking steps to improve performance
- Establishing a process of regular reporting".

The policy indicates the link between individual and organisational performance management is that an individual performance management system is introduced

and the individual is given objectives and targets which link to their team, department and the City.

Organisational objectives and targets are set which are to be cascaded to departmental and individual level. When these individuals and departments achieve their objectives and targets they contribute towards the attainment of the objectives and targets contained in the IDP which leads to achievement of organisational performance management.

The objectives of the performance management system of the City are to :

- “Achieve sustainable improvements in service delivery to the community
- Develop constructive and open relationships between Managers / Supervisors and Employees
- Encourage and reward good performance
- Manage and improve on poor performance
- Link the integrated development plan to team and individual performance
- Enable individuals to develop their abilities, increase their job satisfaction and achieve their full potential so that both the Employee and the City of Cape Town benefit
- Fulfil the requirements of the Municipal Systems Act 32 of 2000” (Performance Management Policy, 2005, p. 5).

The rest of the policy deals with individual performance management.

The performance management of Section 57 (of the Municipal Systems Act) employees are regulated by the Local Government Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager.

A new policy is also being drafted which will deal with Individual Performance Management for Section 57 employees and Organisational Performance Management and a separate policy will cover individual performance management for employees on levels two and below.

4.7 CITY OF CAPE TOWN REMUNERATION POLICY

The City of Cape Town has a remuneration policy which was approved on 28 March 2007. The Remuneration Policy (2007), is in line with the Municipal Systems Act of 2000 and the Municipal Finance Management Act of 2003.

The policy distinguishes between two categories of remuneration. The one category is a total cost of employment (TCOE) approach which is used for TASK grades T14 and above which is an all inclusive package. The other category is used for TASK grades 13 and below. This encompasses basic salary plus benefits as provided for in the City's conditions of service and human resource policies and national collective agreements.

The policy further provides regulations on *inter alia* commencing salaries and addressing scarce skills.

One other aspect that the policy covers is the performance bonus / reward. This would be applicable to employees occupying positions on levels 2 and below on the organisation structure. The TCOE category of remuneration will have performance related movement within the identified zones and the T13 and below will have performance related notch increments within the pay scales. These will take place in terms of the performance management policy.

4.8 CONCLUSION

Research into the organisational performance management in the City of Cape Town has been conducted in terms of its practical application. The City of Cape Town has been presented as a case study. The organisational performance management has been investigated in the case study in terms of the background, planning, implementation and policies.

A brief background to the City of Cape Town is provided which includes the population size and area of the municipality. A brief history is also provided since the amalgamation of 7 local authorities in December 2000. The background includes the organisational structure and an indication of where the Organisational Performance Management function is located in the organisation.

A background to performance management in the City is also provided in terms of an initial pilot project started in 2001 and the rollout in 2005 at organisational and individual level. It was also during this period in 2003 that a decision was taken to use the balanced scorecard approach to performance management in the City of Cape Town.

The integrated development plan for 2007/2008 to 2011/2012 was also reviewed. The importance of this strategic document can be clearly seen as it shapes the environment for PM. It is this strategy that needs implementation and its implementation and progress, which need to be monitored and reported on in the PM system.

The Service Delivery Budget Implementation Plan provides organisational performance management with the objectives and indicators as well as the quarterly targets to be measured for the financial year.

The current performance management policy was reviewed. The link between organisational and individual PM is also described in the policy. There is currently a new organisational performance management policy being developed.

The remuneration policy is also reviewed mainly in terms of the performance bonus / reward with reference to the PM policy.

The following chapter will provide greater insight into the planning and execution as well as detailed in the PM policy and the MPPMR towards organisational performance management and aspects, which relate to it.

CHAPTER 5. ANALYSIS OF DATA AND RESULTS

5.1 INTRODUCTION

The current implementation of performance management in the City of Cape Town will be reviewed in terms of the practical implementation of the legislative environment within which performance management operates.

The formulation of the Organisational Performance Management System and other related legislative systems are implemented will be reviewed. These include the business plans and service delivery and budget implementation plans and individual performance scorecards and how they are aligned to strategy.

Several departments and business units were identified who have links to organisational performance management. In addition to this the associated officials who were considered the most knowledgeable to provide insight to the topic was also identified. Referrals were also received during the interviews conducted, to other officials whom could provide relevant information and expert knowledge. Thus not all departments were approached for input.

Several officials were thus interviewed and verbal information and in some cases substantiated by documentation, which could be reviewed. A semi-structured questionnaire was used for this purpose. The knowledge was tapped in from officials who were involved in the pilot project as well as employees who were more recently involved to organisational performance management but could provide insight.

The information gathered will be descriptively presented and broken down per theme / topic as it relates to the PM system and PM regulations. The areas covered will include planning, implementing, monitoring, measurement, review, reporting – frequency and accountability, improvement, roles of role-players including the community, relating to individual performance management processes and procedure to link to the integrated development planning processes as well as how the balanced scorecard is implemented.

The objectives of this chapter are thus as follows:

- Provide background to the data gathering procedure
- Provide a descriptive account of the information gathered during interviews conducted and other information gathered in relation to the PM system
- To review the current implementation of PM and review the performance management processes and systems at the City of Cape Town
- How legislation is complied with
- Balanced Scorecard Implementation

5.2 DATA GATHERING PROCEDURE

The City of Cape Town was identified as the organisation to use as a case study as was detailed in the previous chapter. From the city the sample will be selected in order to gain institutional knowledge on the PM system.

A non-probability sampling type of Snowball Sampling will be used. An initial group of officials in the City of Cape Town will be approached. These officials will be further requested to provide referrals to other officials whom are able to provide expert knowledge. The initial sample will comprise of officials who work in the IDP & OPM department as well as officials who are involved in the functions within the directorates and departments. A total of ten officials were interviewed.

The areas covered will be in terms of Chapter three of the MPPMR. Some of the one-on-one interviews were electronically recorded for ease of gathering the data. A semi-structured questionnaire was used which allowed for prompting and or adding additional questions depending on where some issues lead. Questions asked also differed for different aspects investigated and thus not all officials were asked the same questions.

Various documentation was also reviewed in order to substantiate and validate the interviews conducted. This documentation includes:

- The IDP

- The Corporate SDBIP
 - Scorecard Definitions
 - 1 yr Corporate Scorecard
- Directorate and Departmental SDBIPs
- Individual Scorecards of Levels 2 and 3 employees
- Section 57 Performance Agreements
- Flow Chart – COCT proposed PM cycle

These documentation add value in that one can see what is actually being done and what is published for the community. The contents of the flow chart will as far as possible be used to provide a description of each of the aspects in the PM cycle.

The researchers own experience in the field of performance management will also be incorporated in this section.

5.3 ANALYSIS OF DATA AND RESULTS

In this section a descriptive account will be given of the information gathered during the interview process. The information gathered from the individual departments will be detailed.

Different aspects, which impact on organisational performance management, will be reviewed in this section. The systems and processes will be reviewed as they relate to chapter three of the Municipal Planning and Performance Management Regulations, which sets out the nature of the performance management system as follows:

- planning
- implementing
- monitoring
- measurement
- review
- reporting – frequency and accountability
- improvement

- roles of role-players including the community
- relating to individual performance management processes
- procedure to link to the integrated development planning processes

The use of the BSC in the above will be included where applicable.

At the beginning of each topic an indication will be given of the officials who were interviewed. An indication will be given of which role or roles they perform in relation to PM. A brief indication will be given of their area of expertise and why they have been consulted and what value add can be achieved from their input.

Reference will also be made at the beginning of each topic to the flow chart which depicts the City's PM cycle and an indication given in terms of the City's description of a particular aspect of the PM system.

Even though the performance management processes are not being run for the first time during the 2007 / 2008 financial year, it should be noted that changes are constantly taking place and it is within this dynamic context that this section will be explained.

5.3.1 Planning

Three officials were interviewed from the IDP and OPM department, as this is the department, which has the responsibility of formulating the City of Cape Town Strategy. The expertise here is in terms of IDP processes. This department facilitates the process of developing the strategic focus areas and the objectives and the corporate scorecard, which is the basis for performance management.

On the *flow chart* an indication is given that the planning includes the setting of KPIs and targets for the priorities and objectives in the IDP and Corporate SDBIP.

From the data gathered from the interviews and documentation it was established that performance planning was conducted on a basis of an annual review of the IDP.

This review includes re-defining the priorities for the City. The objectives and indicators are also re-looked and adjusted where applicable. This was however not taken to the community.

The public at special public meetings convened by the IDP department completes a voting form. From this process it is established what the community priority needs are per ward and then per the Sub-council. These priorities are then sent to the Directorate in order for them to incorporate it into the budget if possible. A concern raised is in terms of the small amount of the community who participate and how the needs differed four months apart.

The City strategy is investment in infrastructure and if needs cannot be met on the priorities identified by the community it might be shifted to the following year. Needs are also satisfied with the Ward Allocations which provides an additional R500 000 per Ward.

5.3.2 Implementing

Five officials were interviewed from various directorates, as they are responsible for implementation of individual and organisational PM as well as assisting with Section 57 individual performance management. These officials are responsible for ensuring that all processes related to PM are implemented and providing report back periodically.

On the *flow chart* no reference is made specifically to implementation, however an indication is given that the SDBIP is used to capture the objectives, indicators and targets and that the balanced scorecard is used.

From the data gathered from the interviews and documentation it was established that performance implementation was conducted on a basis of the planning above in the strategy. Once the Strategic Focus Areas and Key Performance Objectives have been set in the IDP, then the Corporate Service Delivery and Budget Implementation

Plan is compiled. Included in this is the Corporate Scorecard, which contains the high level Objectives, and Indicators (<http://www.capetown.gov.za/idp/>).

Whilst this corporate scorecard is still in draft format, business plans and Service delivery and budget implementation plans are drafted for the directorates and departments. These directorate and departmental SDBIPs are compiled on an EXCEL template. The objectives identified in the business plans are now unpacked and key performance indicators are developed. These SDBIPs must take into account the IDP and corporate scorecard when cascading is done. Thus, all the objective and indicators as they appear in the IDP have to be cascaded at least to Directorate and / or departmental level.

The balanced scorecard is used as a framework and strategic tool in order to cascade the strategy.

The Section 57 performance agreements are also compiled during this period. Currently this function resides with the organisational performance management business unit.

5.3.3 Performance Monitoring

Four officials were interviewed from various directorates as they have a role in monitoring and are responsible for SDBIPs as these SDBIPs are a means of ultimately monitoring organisational performance management. This role is also shared with Internal Audit, Audit Committee, Council and more specifically the Executive Mayor.

On the *flow chart* an indication is given that a dashboard is used to collect and analyse data and then it is reported on quarterly.

From the data gathered from the interviews and documentation it was established that performance monitoring was conducted by doing quarterly review sessions in which to report on implementation of objectives and indicators on the SDBIPs.

These sessions are known as PDR (Plan, Do, Review) sessions. Based on the quarter in question, data is gathered on actual achievements. The review sessions take place with the management team to discuss progress and or problems experienced and remedial action to be taken. Planned performance is compared with actual performance. The relevant Director or Executive Director or the City Manager depending at which level the PDR is taking place chairs this session. Not all the departments conduct the PDR sessions in exactly the same manner.

This progress on performance at department and directorate level is reported on quarterly to the relevant Portfolio Committee. The directorate and the corporate level performance progress report is presented to the Mayoral Committee and Council.

These PDR sessions are ordered using a bottom-up approach, i.e. first the departments, then the directorates and then the corporate PDRs take place. The logic behind this is in order to cascade the performance data upwards.

The City of Cape Town launched a new dashboard, which is to track and measure operations. The Mayor indicated that having easy access to performance management information that it can be identified where things are being done wrong and learn from where things are done right (Cape Argus, 17 August, 2007).

The Enterprise Resource Planning (ERP) Business Unit of the Information Systems and Technology Department has designed the Balanced Scorecard Dashboard in conjunction with the IDP & OPM Department. Only a few KPIs have been set up thus far. The rest of the key performance indicators will follow.

Shortcomings at the moment are that only the twelve indicators are automated. These indicators are too few to use as a basis for performance management reporting. The benefit of this system is that it that real time data is available within 24 hours as SAP updates overnight and data is captured at source. Auditing of what is actually being done and what is being captured still needs to takes place.

A SharePoint system is currently being set up for the purpose of monitoring performance on objectives and indicators. In the interim this is done once the

SDBIPs have been compiled in the EXCEL spreadsheet and approved. Three layers of SDBIPs will be loaded i.e. Corporate, Directorate and Department.

Rights will be controlled and assigned based on the identified need of the user. All activities will be tracked and serve as an auditing mechanism. Accountability will be increased as the system is able to track the progress that is being made as well as which user has made adjustments and when this was done. Increased accountability will also lead to increased accuracy and reliability of the data sourced. A cut-off date will be provided for the capturing of data to ensure that deadlines are met in terms of submitting the Corporate Performance information to the Executive Management Team, Portfolio Committees, Audit Committee, MAYCO and Council.

A shortcoming of this system at the moment is that the key performance indicators that are cascaded need recapturing of data. This means that the data is not automatically copied into the relevant cell in a higher level SDBIP i.e. by including a formula that indicates that one cell in a SDBIP is equal to another cell in a higher level SDBIP without having to cut and paste data. The benefits to be derived from this system include the decrease in the amount of templates and other data, which is otherwise E-mailed, will be drastically limited. The SharePoint system will run until the Balanced Scorecard Dashboard has been fully developed and implemented.

Another dashboard known as “The Mayors Dashboard” has been developed. The reason behind this is that performance information is not readily available and bureaucratic systems and processes delay the information being available. The management then becomes re-active instead of pro-active.

The Mayors Dashboard reviews key projects as well as other ad hoc issues that were raised from various sources. These ad hoc issues are put on the dashboard at the request of the Mayor. Once these issues are responded to satisfactorily then they are removed from the dashboard. The feedback from officials is received via the dashboard template. Feedback sessions are held on a monthly basis with the Mayor where the relevant Executive Director and MAYCO member are present as well as the Director Governance and the Co-ordinator of the dashboard. The Mayor will

intervene or the Director Governance will facilitate the action that needs to be taken from the outcomes of the feedback session.

5.3.4 Performance Measurement

One official was interviewed from a directorate, as he is responsible for measurement of actual performance to planned performance. The IS&T (ERP – SAP) department are also included here as they are involved with project OLAP (On-line Analytical Processing).

On the *flow chart* an indication is given that measurement entails analysing data against inputs, outputs and outcomes of indicators and specialists would conduct surveys etc. on areas of corporate interest.

From the data gathered from the interviews and documentation it was established that performance measurement would be complimented by the OLAP project. Greater analysis could take place of the data. Here it was further indicated emphasised that evidence was not always adequate when analysis was conducted.

The role of the BSC in measurement stems from the initial design of the scorecards. The measurement is not explicitly done on the BSC perspectives

5.3.5 Performance Review

Five Officials were interviewed from various directorates as they are responsible for or contribute towards the review processes.

On the *flow chart* an indication is given that review entails a review of the IDP priorities, objectives, KPIs and targets and updating the Corporate Scorecard where applicable and communicating this to the Directorates. In addition to this also, the quarterly review is reviewed by the Executive Management Team and MAYCO.

From the data gathered from the interviews and documentation it was established that performance was conducted on a basis that it thus takes place in two areas. Firstly, the review of the performance results and secondly, the review from the strategic planning aspect includes the annual review of the IDP, which incorporates the strategic focus areas, the objectives and indicators. Priorities and objectives are annually reviewed. The IDP Process Management business unit as was discussed as part of the planning aspect facilitates the public role at public engagement meetings.

It is envisaged that in the future the Ward Forums which are being established be engaged in further on PM process. They however first need to be capacitated.

5.3.6 Reporting – Frequency and Accountability

Four officials were interviewed from various directorates as well as the IDP & OPM department as they are responsible for quarterly, mid-year and annual reporting.

On the *flow chart* an indication is given that reporting entails the preparation of quarterly reports to the various Committees. The Annual Report is also compiled as well as the oversight report.

From the data gathered from the interviews and documentation it was established that performance reporting was conducted on a basis of formal reporting in the City on organisational performance which is done on a quarterly basis. The performance data which is cascaded upwards and is required for the corporate scorecard is presented to the Executive Management Team, Audit Committee, Mayoral Committee and Council.

The mid-year performance assessment report is submitted to the Mayor and to Provincial and National Treasury. This is done by 25 January of each year. If a need exists as a result of the tight time-frame, an amended report will be issued later if any amendments are made to the report.

The City also compiles an Annual Report. A component in the City's Annual Report is the performance report of the municipality. This performance report contains the entire financial year's performance against target and is presented the same as the quarterly reports.

Comments are however not provided on the progress report when targets are achieved or exceeded.

Currently the quarterly PM progress reports are submitted to the sub-council. Once the Ward Forums are established it will also be presented to them.

5.3.7 Performance Improvement

Three officials were interviewed from various directorates to ascertain what is being done to improve performance from a business improvement perspective and whether they link with performance management on an individual and or organisational level.

On the *flow chart* an indication is given that improvement entails re-engineering and continuous improvement of business processes, restructuring and reorganising, skills and capacity development, productivity improvement and change management, revision of strategy, knowledge management and alternate service delivery strategies.

From the data gathered from the interviews it was established that performance improvement was conducted on a basis of identifying gaps in the organisation. Performance management is not used to identify the gaps. Within the corporate scorecard progress report the remedial action is identified in order to improve on performance.

5.3.8 Roles of Role-Players Including the Community

Four officials were interviewed from Internal Audit and IDP and OPM department, as they are the internal mechanism for ensuring compliance.

On the *flow chart* an indication is given that role-players include officials, participation by the public, Internal Audit, Budgets, IDP, and various Committees including Council. The role of internal audit is indicated as assessing compliance, functionality and reliability of the system. They also conduct a continuous audit of performance measurements and on a quarterly basis submits reports to the Audit Committee and the City Manager.

Internal Audit

Internal Audit reports to the Audit Committee and administratively to the City Manager and they consult both internally and externally. The Municipal Systems Act and the regulations govern them.

Once an audit has been conducted then Internal Audit would make recommendations to the applicable department. The department in turn can indicate that they will not implement the recommendations based on a motivation. However if a further problem arises as a result of the recommendation not being implemented, the department has to answer to EMT and Audit Committee. The Institute of Internal Auditing (in the USA) provides the International Standards for Internal Auditing.

Audit will conduct quarterly audits on the performance by starting with the corporate objectives and indicators. Internal Audit will consult with the Auditor General to ensure that a duplication of an audit does not take place in terms of the performance management system.

External Audit – The Auditor General

The office of the Auditor-General conducts an annual assessment of *inter alia*, the City's performance information. Documentation requested includes the IDP, the budget, the SDBIP, the performance progress reports and any other relevant information. They try and link all these aspects to obtain standardisation.

The budget as was tabled at Council prior to the commencement of the financial year is the same budget contained in the corporate SDBIP, which is signed off by the Executive Mayor, and the IDP and objectives and indicators contained in the IDP are in the SDBIP and the performance progress reports for consistency.

The Community

The PM system as well as the objectives and indicators were not taken to the community. The community can thus not fulfil its role in terms of PM as a void exists.

Officials

Each Directorate has a Strategic Support Manager or a Performance Management Manager who is responsible for the implementation of the PM system. The role of the corporate office is to provide policy and guidelines to the organisation.

5.3.9 Relating to Individual Performance Management Processes

Five officials were interviewed from various directorates as they are responsible for the roll-out of the individual performance management below the Executive Directors (Section 57).

On the *flow chart* an indication is given that this includes the Section 57 employees. Though levels two and three officials are also performance managed.

Council adopted a new Individual Performance Management Policy in September 2007.

From the data gathered from the interviews and documentation it was established that the Executive Directors scorecards do not provide a direct alignment to the IDP. The use of a balanced scorecard is not eminent. One cannot make a direct link to the scorecard and the IDP. The Strategic focus areas are not reflected. It I claimed that these can be indirectly linked.

Currently no individual performance management scorecards are in place for the 07/08 performance cycle.

5.3.10 Procedure to Link to the Integrated Development Planning Processes

Four officials from various directorates were interviewed, as they are largely responsible in ensuring that PM policy and process are rolled out within their directorates.

On the *flow chart* an indication is given that once the IDP has been reviewed then the applicable changes are incorporated into the corporate SDBIP and the business planning and budgeting processes.

From the data gathered from the interviews and documentation it was established that OPM is linked to the IDP processes, yet it is not entirely clear how the individual links other than for the corporate objectives. Cascading thus takes place to lower levels of the corporate objectives and indicators.

An indication was given that at least one of the corporate indicators were not reflected in the IDP.

5.3.11 Balanced Scorecard Utilisation

Legislation is being implemented by implementing the strategy by using the balanced scorecard methodology.

The balanced scorecard can be seen to be implemented to a limited degree as indicated below. Some reasons cited include that it is time consuming, lengthy to implement, lack of buy-in from officials and lack of knowledge.

➤ **The perspectives**

No cause and effect linkages are explicitly done. However it is still possible in some instances to make these linkages on a logical basis. Some scorecards do not provide a balanced set of indicators.

➤ **Alignment to strategy**

This can only be seen with corporate objectives and indicators as a numbering system was introduced here.

➤ **Cascading**

This is also difficult to establish as far as identifying which objective is being contributed towards when lower levels are looked at.

➤ **Individual balanced scorecards**

Individual Scorecards were not set up thus no cascading could have taken place beyond the SDBIPs. The section 57 performance agreement also cannot provide a link to the strategy or the BSC.

➤ **Review and evaluation of cascaded scorecards**

An opportunity is provided once a year at the individual mid-year assessment to review the scorecard. A Deviation Memo is completed and needs to be approved before the relevant changes can be effected.

Provision is also made for Section 57 employees to make amendments by mutual consent.

➤ **Allocation of resources**

This takes place through the budgeting process as facilitated by the Finance Directorate. Not all the needs of the community can be accommodated.

➤ **Reporting**

Quarterly reporting takes place on scorecards.

➤ **Performance dashboards**

Various dashboards are being utilised and these serve different purposes.

Thus the BSC it being utilised to an extent and some aspects are difficult to introduce uniformly e.g. Cause and effect linkages. This is as a result of differing business complexities and resources.

5.4 CONCLUSION

The above section looked at the practical application and implementation of the PM system in the COCT It also reviewed what was being utilised in terms of the balanced scorecard.

The strategic plan of the municipality, the IDP was reviewed. The basis for performance management is contained here as it is during the compilation of the IDP that the strategic focus areas and objectives are identified and the corporate indicators and targets are set.

The processes to implementing organisational performance management were reviewed also by looking at the related aspects of the business planning and individual performance management. The flow from strategy to organisational performance management to individual performance management was also reviewed.

The different dashboards that are being used to track and monitor performance i.e. SAP Business Warehouse Dashboard, SharePoint and the Mayors Dashboard were reviewed to ascertain the need for these varying systems. Plan Do Review sessions are conducted on a quarterly basis at department, directorate and corporate levels to review progress on performance as depicted in the SDBIPs.

Measurement is conducted and it is envisaged that the OLAP project will enhance the analysis once it is fully functional. The review is done from two perspectives i.e. the annual review of the IDP and the review in terms of progress.

Four quarterly performance progress reports are submitted to council. The mid-year progress report is also submitted by 25 January each year. The fourth quarter / final progress report is also contained in the City's Annual Report.

Improvement is guided and largely communicated from the PDR sessions. The Business improvement does not relate directly to under performance.

The various roles and responsibilities with regard to the implementation of the performance management legislation have been covered.

Individual scorecards exist for the Section 57 employees but not for levels below this in the organisation. Alignment to strategy and cascading of objectives was also reviewed and in the absence of individual scorecards the cascading could not have taken place.

The next chapter will conclude the paper with the provision of recommendations, further research opportunities identified and a presentation of the main findings in the previous chapters of the entire paper.

CHAPTER 6. RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

The preceding chapters in this paper provided background and depth as well as the legislative context of local government performance management with reference to a case study.

This chapter seeks to provide recommendations, which are implementable. These recommendations will be structured on various topics relating to performance management. These are the same topics that were used in chapter five. The format of the recommendations will be to comment on aspects, which are working well as well as on aspects, which need improvement or revision in terms of enhancing the systems and processes which are currently implemented in the City of Cape Town.

Further research opportunities will also be identified. These recommendations will be in line with the current research that was conducted. Thus further areas, which have a bearing on organisational performance management, will be identified. These will be based on the limitations of this study as well as areas, which came to light during the current research process.

This chapter will be concluded with the main findings of the research conducted in the previous chapters. Chapter one will review the rationale to the research as well as the methodology that was employed. Chapter two will conclude the main findings in the literature review based on the performance management models and other studies that were conducted. Chapter three will provide the main findings in terms of the legislation that was reviewed which impacts on performance management. Chapter four provided the detail to the case study of the City of Cape Town and how performance management is implemented there. Chapter five provides further insight that was obtained from officials who were interviewed in terms of their experiences and knowledge.

The objectives of this chapter are to:

- provide recommendations on organisational performance management and related aspects in the City of Cape Town
- identify further research opportunities
- conclude the paper by noting all the significant findings of the previous chapters.

6.2 RECOMMENDATIONS

The following recommendations are based on the literature and legislation reviewed as well as the case study and interviews conducted. Recommendations will be provided on Organisational Performance Management as well as related aspects in the environment, which have a direct or indirect impact on the implementation of performance management.

As far as possible the recommendations will provide an indication of the particular aspects under a topic, which is working well. An indication will also be given of the areas, which can be improved upon as well as aspects, which need to be changed.

The recommendations will also be structured to follow the headings, which were used in chapter five which related to the PM system and the MPPMR.

6.2.1 Planning

The community are partially involved in the planning. There needs to be more involvement by the community and this is possibly best achieved through ward forums. Ward Forum representatives will be sector specific and thus could encourage the rest of the community to be involved at a level which interests them particularly.

The IDP Reference Group serves as a good communications forum to debate and make decisions on PM issues. The main focus with the forum appears to be on IDP and OPM issues.

This forum could be further enhanced by including discussion on the individual performance management of levels 2 and below could further enhance this forum. This will further enhance the link between IPM and OPM. It would provide greater alignment of the strategy to the individual employee level in the organisation.

6.2.2 Implementation

Implementation should be guided by clear documented guidelines. However, a one size fits all approach should be avoided. Room should be left for some degree of deviation from the norm to facilitate the uniqueness of a department or a particular key performance indicator.

It is also at this stage that a very clear indication should be given of the evidence that would be considered adequate to support the performance progress.

The balanced scorecard should be more fully utilised. The progress made this far is commendable but a phased programme should be put in place to plan the full implementation.

6.2.3 Monitoring

Most officials are not keen on conducting PDR sessions. One practice, which makes PDRs more bearable, is if all information is collated beforehand.

Very little evidence is produced when these sessions are conducted which questions the reliability and validity of the data as it cannot be interrogated. These review sessions should thus be properly planned beforehand so that it minimises a verbal account being given of performance progress which cannot be tested.

The organisation is currently busy with a programme called OLAP – online analytical processing. It is envisaged that this will provide greater ability to analyse data and find reasons for trends or anomalies.

It is recommended that the various dashboards that are available throughout the organization be made known to all employees in the organisation. This can be published on the Intranet where it lists the dashboard, what information is contained in it, if it is open to the rest of the organisation to apply for access or a report to be drawn, and who the responsible official is for further information.

This will decrease duplication not only in requests for information but also the duplication of dashboards, which could be shared by different departments. This will lead to increased economy, effectiveness and efficiency.

- Economy – outputs are received / achieved without additional inputs.
- Effectiveness – Ensuring that available information is known to all.
- Efficiency – no time, money and other resources wasted in duplication of existing resources and sources of information.

The various dashboard reporting add to the workload of officials as well as duplication in reporting. Much time is spent on reporting and distracts from actual achievements. This is not saying that reporting is not important as it is. The way in which it is done and the processes and systems that are in place need to be addressed.

6.2.4 Measurement

More emphasis should be placed on gathering of evidence to support the data collected as previously mentioned, as a means of providing reliability and validity to the data.

Reliability will be enhanced, as further audits will provide the same result.

Validity will be enhanced, as it should be checked that the evidence speaks to the indicator. Thus the evidence will be in terms of what the indicators are measuring.

Thus it is recommended that evidence presented for an indicator should be directly related to the indicators and it should provide accurate data.

6.2.5 Review

Performance review process needs to provide input from the community on the performance indicators and targets by taking this aspect to the public annually.

Review by officials should be supported by evidence so that a check can be made if the data being reviewed is reliable and valid.

6.2.6 Reporting – Frequency and Accountability

The midyear report due date of 25 January be changed to ensure that the data provided is reliable and valid and that no need exists for amendment reports to be submitted to Provincial Government. Thus Provincial Government should be provided with a written motivation requesting a more realistic date to ensure that reliable and valid data is reported.

Only when under performance is experienced a reason is provided for this. If performance is achieved or exceeded, then no reason is provided. It is thus recommended that when performance progress is reported, that a reason is also provided for achievement and over achievement of performance. This will provide an opportunity to also see why success was achieved. It would well serve for future endeavours and may be transferable to other indicators where underperformance is achieved.

6.2.7 Improvement

From the performance results, it should be identified what works well and what needs enhancement. This should be done in conjunction with Business Improvement unit. However, the Business Improvement business unit is in the Corporate Services Directorate. Thus it is removed from organisational performance management.

It is thus recommended that a closer working relationship be forged between IDP & OPM and business improvement. Where areas of poor performance are identified, this should be addressed with business improvement techniques. A forum also needs to be set up to ensure that communication is effective between the two.

6.2.8 Roles of Role-Players Including the Community

The performance management system as legislated has not been taken through the public participation route. Examples of how this can be made easier and accommodate a wide audience is to have many methods of engagement which include information / knowledge, input / comment into the system and then finally the feedback / progress on performance.

Methods of engagement could include the following:

- *Electronic Media* -Internet, Email, Sms, Dvds;
- *Print Media* - Library notice boards, Pamphlets, Posters, Booklets, Municipal account notices;
- *Contact* - Phone call, Toll-free numbers, House calls, Information centres;
- *Face-to-face communication* - Sub-council open days, Meetings, Visits to High Schools, universities and colleges;
- *Structured Forums* - Ward Forums / Ward Committees.

The latter mechanism of ward committees / forums could be extensively utilised. These committees / forums are represented on sector specific basis and thus provide more focus in terms of which issues interest or affect that sector, bearing in mind that issues may be cross-cutting.

Performance management officials should consult Internal Audit in the same way that a legal opinion is sought when doubt exists on a particular aspect. When a PM issue is in doubt then Internal Audit who has autonomy can pursue an issue under doubt or which top management are not knowledgeable about. Internal Audit is in a position to recommend on an issue if it not in line with ethical principles. If these recommendations are not adhered to by top management, then they have to explain their reasons to the Audit Committee and the Auditor General.

6.2.9 Relating to Individual Performance Management Processes

The individual performance scorecard also needs to be aligned to the strategy. This would also link to the cascading of indicators and objectives. It is currently not clear how this alignment and cascading takes place, as it not illustrated in a visible manner.

Currently the Individual Performance management Business Unit and the Organisational Performance Management Business Unit are located in different Directorates. This further presumes to complicate the integration of IPM and OPM and affect the alignment to strategy and the cascading.

If the organisational design is to stay as it is and remain effective then mechanisms should be put in place to ensure constant communication between these two Business units. The IDP reference group would be one such mechanism. This will ensure that a common approach is being used in terms of ensuring strategy implementation.

The business units being in separate directorates may have an advantage if managed well that a degree of objectivity is maintained between the individual and organisational performance management function. It allows for greater creative inputs from both sides to ensure that the common goal is achieved of strategy implementation.

The draft organisational performance management policy is still being revised and not available for research purposes so these recommendations are based on the current performance management policy and the improvements, which can be contained in the new policy. It is good that the policy is being revised as changes have taken place in the organisation since the policy was introduced in 2005.

The current performance management policy contains both the provisions for organisational and individual performance management. The individual performance management is much more comprehensively covered than the organisational performance management. OPM is only covered in about a page. This is completely inadequate, as it does not cover aspects such as the SDBIP. The policy should be made available to the public and work-shopped with the Ward Forums.

The policy should be supplemented with a set of guidelines, which provides a comprehensive achievement of the policy content. These should include all templates that need completing and a guide to specify what type of information is required. Example of completed documentation should also be contained in the policy guidelines. Names of officials, who specialise in particular aspects, should be included. Their contact details should also be provided should anyone require further information / details / briefing or training. These should be made available on the intranet on a performance management section.

The individual scorecards from level 2 and below should also be in place at the beginning of the performance cycle in order that officials know what is expected of them upfront.

6.2.10 Procedure to Link to the Integrated Development Planning Processes

The system of alignment and cascading is difficult to realise as one goes lower down in the organisation. A numbering system is used for objectives and indicators reflected in the integrated development plan. The numbering system does not accommodate all SDBIPS and individual scorecards. This makes it difficult to check the alignment to strategy.

Thus it would be recommended to either

- Maintain the Strategic Focus areas and the Objectives. It is meant that these remain consistent throughout the organisation on SDBIPs and Individual scorecards. This will allow a numbering system to show the thread of alignment when cascading is done.

Thus, the objectives are provided unique numbers and cascaded down into the Directorates and Departments and Business Units.

- If the objectives are not maintained throughout as a common thread, then that a numbering system be implemented to show alignment and how the cascading is done.

This will entail providing each Directorate with a unique number and the rest of the numbering will follow through with departments and business units also being allocated a number.

This will ensure alignment of functions to strategy and it is also visible to all.

The same could apply to the individual scorecards. This numbering system can be used when the objectives and indicators are cascaded downwards. This will firstly ensure alignment to the strategy and secondly the contribution to the various objectives can be traced right down to the individual level. All employees will know exactly which objectives they are contributing to and what value they add as well as how they contribute to the achievement of strategy. Further, areas which are

struggling to show this alignment in terms of the value add to strategy should be re-looked at in terms of the need for them or the function being outsourced.

If the performance against an objective is poor then a tracking can be done to establish at which level the problem lies with the solution found. Further, when it comes to performance bonuses, it can be directly seen who is exceeding target or not. This would be best done using an electronic system of tracking where the entire system of scorecards are linked and feed into one another.

Individual employees will also then be able to see the contributions of others who impact on there own performance.

6.2.11 The Balanced Scorecard

The balanced scorecard methodology is not fully implemented.

It is recommended that more emphasis be placed on the full implementation of the balanced scorecard at organisational and individual level. The balanced scorecard should also be used when the Section 57 scorecards are compiled.

6.3 FURTHER RESEARCH OPPORTUNITIES

This section will emphasize a few areas which need further research in line with the research that has been conducted in this paper. This includes individual performance management, the role of Ward Committees / Forums in performance management, public participation in the performance management system and progress on the cities performance progress.

Further research opportunities which can be identified from the above research are as follows:

6.3.1 IPM and OPM residing in different business units

Does it increase or decrease effectiveness or is there no significant difference in effectiveness in relation to the location of the business units.

6.3.2 Service Delivery Service Levels being established and monitored by Ward Committees / Ward Forums

The Ward Forums / Ward Committees need to as one of its duties, monitor and report on the activities of the municipality. One means of doing this is

- to be provided with levels of service by the line departments.
- The community must be given an opportunity to agree with these service levels
- The community to monitor and report on these service levels.

6.3.3 Public Participation in performance management system and monitoring using Ward Forum / Ward Committees

Research into how these mechanisms can be effectively used as a community involvement and monitoring mechanism in the performance management system

and performance progress of the municipality. These forums, when run effectively are supposed to have the sector representative providing feedback to and from these forum meetings. This allows for constant communication with the public with receipt of feedback to the municipality which would largely be sector specific but could also be cross-cutting to other sectors.

6.3.4 Individual performance management linking back to strategy

Does an individual performance management system in the City of Cape Town contributed towards the attainment of strategy?

6.3.5 Linking Budgets and projects

Does the full alignment of the operating and capital budget allow for greater effectiveness at a reporting level?

All of the above research would enhance performance in the City of Cape Town as well as add to the body of knowledge on the subject, which could benefit other municipalities as well.

6.4 CONCLUSION

The preceding chapters will be briefly out-lined in this section in terms of the main findings that were established in each one.

Chapter one

This paper is introduced by providing the rationale and background to the study. The research problem is also identified with the objectives of the research

Based on all the research conducted in this paper the main findings can briefly be summarised as follows.

The objectives of the research were to ascertain what is currently being done, how it compares to legislation and what possible solutions can be offered. The research will have practical significance and add to the existing body of knowledge on performance management. The practical significance would be to ascertain in a detailed analysis and description of OPMS of what is in place and how to enhance it.

Chapter two

Various definitions of performance management were reviewed. These mainly dealt with organisational performance management, however related aspects such as performance measurement and individual performance management were also included.

Various models on performance management were reviewed. Transferability from private to public sector was also noted. Special emphasis was placed on the Balanced Scorecard Methodology. More specifically to the Balanced Scorecard in Public sector as this has greater relevance. This was emphasised as it was identified in the case study that this is the methodology used in the City of Cape Town. It was further discussed that when the BSC was fully utilised, then there is no need for business plans to be developed.

The main difference in the balanced scorecard approach for public sector use is that less emphasis is put on the financial perspective as the public sector has its greatest emphasis on the Community. Thus the Community perspective is aligned at the top of the model.

Further, it was also noted that problems are experienced when implementation needs to take place. This is the point where the practical application needs to kick in and then the problems start to surface which were not identifiable at the time the legislation or policy was written.

Chapter three

Varied legislation has been reviewed in this chapter. A chronological approach was taken from 1996 to 2007. From the inception of the Constitution in 1996 to the Framework for Managing Programme Performance Information in 2007 all these portions of legislation pertaining to organisational performance management were reviewed.

The legislation reviewed either directly or indirectly impact on organisational performance management. As organisational performance management cannot be taken out of context and be reviewed independently of the contributing legislation, a more holistic approach needs to be taken. Thus all relevant legislation was consulted and the parts which have greater bearing were included in this paper.

The most important legislation regulating organisational performance management is found in the Municipal Systems Act, the Municipal Planning Performance Management Regulations, The Municipal Finance Management Act (including Circular 13) and the Framework for Managing Programme Performance Information.

It was significant to note how broadly the coverage is of performance management in legislation. This indicates the importance of local government performance and also the bigger context of the other two spheres of government.

Chapter four

The case study that was identified as the City of Cape Town was reviewed. The background to the municipality as well as the current organisational structure was studied. The significant findings include that the Individual and organisational performance management departments are located under different Directorates.

A background to Organisational Performance Management in the City is sketched since a National OPM pilot project was initiated in 2001. The City undertook a pilot between March and August 2002 before it rolled the OPM out in the organisation to all the directorates and the BSC was adopted as the approach to performance management.

An overview of the Performance Management Policy sketched the OPM and the OPM system and its objectives which are in place. Little attention is paid to OPM and this is done in the light that the IPM supports the attainment of the OPM. This is true however more emphasis should be placed. The SDBIP is also not mentioned in the Policy and could be because MFMA circular was only published in January 2005. The policy was adopted in May 2005. Also the MFMA was promulgated in 2003 and defines the SDBIP.

Chapter five

Various officials in the City of Cape Town were approached and asked to provide greater insight into the activities around organisational performance management. A limited number of officials were identified to ensure that the correct level of knowledge and experience is tapped into.

The areas tapped into were in terms of the requirements for a performance management system.

The most significant findings here were in terms of the community not being involved in performance management.

Individual PM scorecards are only compiled for Section 57 employees for the 07/08 performance cycle. The Section 57 performance agreements do not align to the IDP strategic focus areas, objectives or the balanced scorecard methodology, which was adopted by the City in 2003.

The BSC has not being fully utilised and thus the benefits that could be derived are absent.

Chapter six

Various recommendations are provided in terms of improving performance management or in terms of maintaining systems that work well.

Recommendations are also made in terms of further research opportunities. These opportunities could enhance the performance management systems in the City of Cape Town especially in areas of community involvement. The development of Service Delivery Service Levels are also a vital element as the community will then know what to expect from the city and can monitor its performance. The impact of the organisational and individual performance management business units positioned in different directorates in the city of Cape Town is a further research

opportunity to ascertain whether a disjuncture exists in terms of implementing strategy and whether communication remains effective between the two directorates.

The process of the research was completed because:

- Literature defining and describing PM and industry examples, various models,
- Applicable legislation were reviewed
- A case study was discussed which included the explanation as to how the PM system is implemented.
- Recommendations were made to enhance the performance management system.

The research question was “Have the legislative requirements of an organisational performance management system been implemented in the City of Cape Town?”

Yes, the legislative requirements of an organisational performance management system have been implemented in the City of Cape Town but certain improvements have been recommended.

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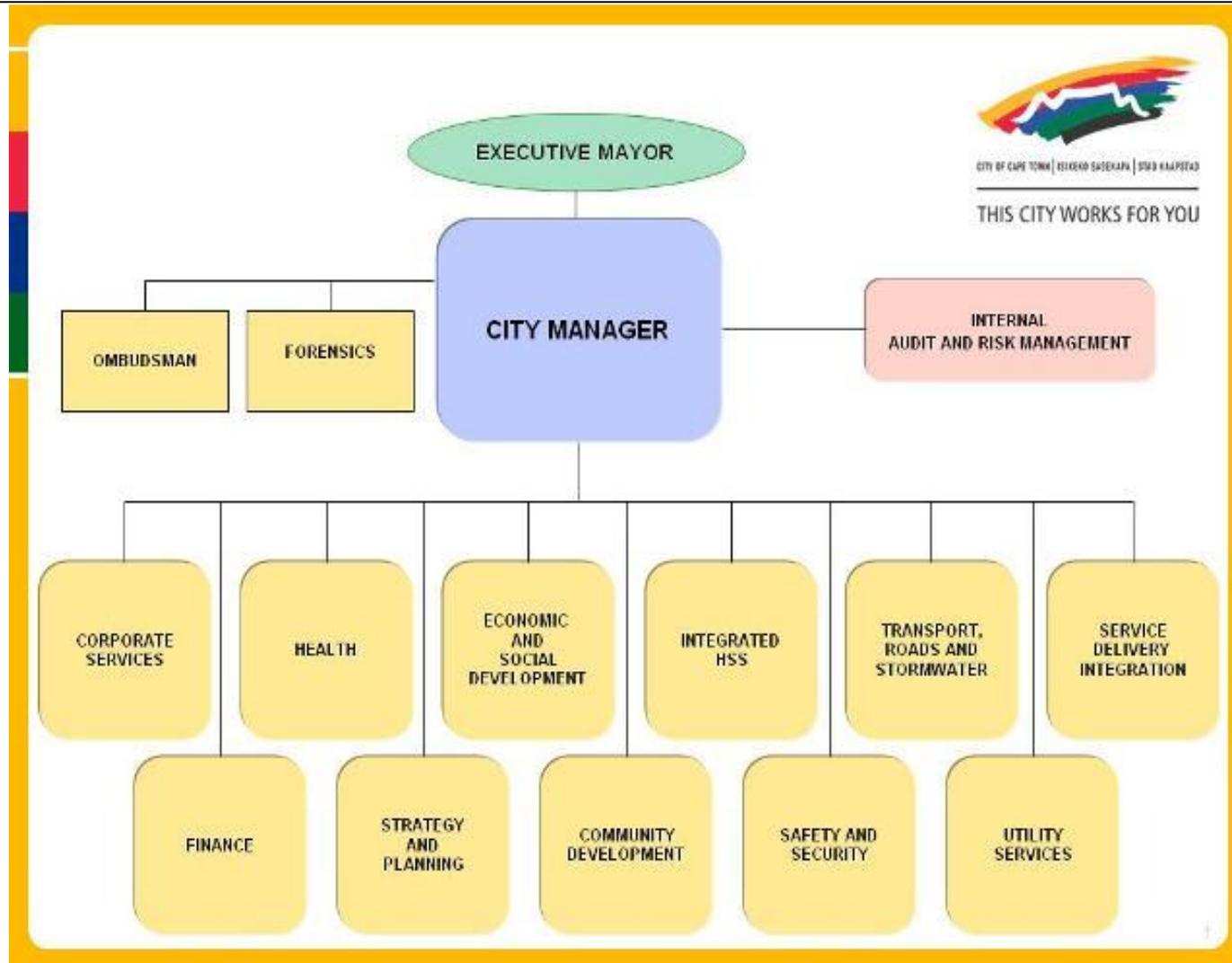
ANNEXURE A1 - Tracing the Cascading of the Individual Balanced Scorecard

Name:		Department:		Date Covered:		
<i>Mission: Provide low-cost energy to help communities prosper</i>				<i>Vision: Be the #1 energy supplier by 2010</i>		
Utilise state of the art technology and human capital principles to drive profitable growth						
Perspective		Corporate Scorecard		Business Unit Scorecard		Department Scorecard
Financial	F1. F2.	Return on Equity	F1. F2.	Manageable Cost Reduction Lower Service Agreement Costs	F1. F2. F3.	Lower Administrative Spending Rationalise Capital Spending Increase Miscellaneous Revenue
Customer	C1. C2.	Customer Loyalty Rating Sales Volume	C1. C2.	Customer Loyalty Rating Outage Performance Index	C1. C2. C3. C4. C5.	Customer Loyalty Rating Meeting Commitments Meter Reading Call Centre Performance Reliability Index
Internal Process	IP1. IP2.	Environmental Performance Number of New Products and Services	IP1. IP2.	Environmental Performance Service Quality Programs in Place	IP1. IP2. IP3.	System Maintenance Inspections Service Quality Programs
Employee Learning & Growth	E1. E2. E3.	Safety Rating Employee Commitment Employee Development	E1. E2. E3.	Number of Accidents Employee Commitment Rating Employee Development	E1. E2. E3. E4.	Number of Personnel Accidents Number of vehicle Accidents Employee Commitment Rating Employee Development

ANNEXURE A2

Department Manager – Personal Balanced Scorecard							
Perspective	Objective	Measure	Weight	Threshold	Midpoint	Stretch	Related PDP Goals
Customer 25%	Customer Loyalty	Presentations to local trade groups	40%	10	15	20	<ul style="list-style-type: none"> Develop 5 new professional contacts this year. Join 2 trade associations
	Outage reliability	Plant visits	60%	20	30	50	
Employee Learning and Growth 25%	Safety	Departmental Injuries	60%	2	1	0	<ul style="list-style-type: none"> Attend safety training course
	Develop skills sets	% Employees completing education	15%	80%	90%	100%	<ul style="list-style-type: none"> Complete facilitator training course
	Develop skill sets	Complete Personal Development Plan	10%	-	-	-	<ul style="list-style-type: none"> Complete PDP by mid-year
	Employee Commitment	Departmental commitment rating	15%	75	80	85	<ul style="list-style-type: none"> Support employee volunteer efforts
Internal Process 25%	Meter reading and meter changes	% on-time readings	50%	90%	95%	100%	
	System maintenance	Conduct plant audits	50%	25	40	45	
Financial 25%	Minimise administrative spending	Local costs	55%	Budget	Budget less 1%	Budget less 2%	<ul style="list-style-type: none"> Complete 2 courses in finances
	Grow revenue	Increase departmental miscellaneous revenue	45%	5% increase	10% increase	25% increase	<ul style="list-style-type: none"> Lead departmental brainstorming sessions on revenue enhancement

ANNEXURE B1 - ORGANISATIONAL STRUCTURE OF THE CITY OF CAPE TOWN



ANNEXURE B2 – ORGANISATIONAL STRUCTURE OF THE SERVICE DELIVERY INTEGRATION DIRECTORATE

