



PROVINCE OF KWAZULU-NATAL

PROVINCIAL TREASURY

FINAL

POLICY

**MANAGEMENT OF PROGRAMME PERFORMANCE
INFORMATION**

1. DEFINITIONS

“Activities” are the processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes, i.e. what we do;

“Impacts” are the results of achieving specific outcomes, such as reducing poverty and creating jobs.

“Inputs” means all the resources contributing to the productions and delivery of outputs, including finances, personnel, equipment and buildings, i.e. what we use to do the work;

“Outcomes” are the medium terms results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes must relate clearly to the institution’s strategic goals and objectives set out in its plans, i.e. what we wish to achieve; and

“Outputs” are the final products, or goods and services produced for delivery, i.e. what we produce or deliver;

2. OBJECTIVE

2.1 The objective of this policy is to provide guidelines on the collection, recording and reporting of performance information.

3. SCOPE

3.1 This policy is based on the “Framework for Managing Performance Information” issued by National Treasury: May 2007.

4. LEGAL FRAMEWORK

- a) Constitution: Section 92, Section 133;
- b) Public Finance Management Act, Section 40(1)(f); and section 41; and
- c) Public Service Act, Section 7(4)(c)
- d) Public Service Regulation 2001
- e) Framework for Managing Programme Performance Information
- f) Treasury Regulation 5.2.1 and 5.3.3 (Strategic Annual and Quarterly Performance Plans)
- g) Policy Framework for Government Wide Monitoring and Evaluation Framework (GWM&EF)
- h) The Government Wide Monitoring and Evaluation Framework Systems(GWM&ES)
- i) Promotion of Access to Information Act (Act 2 of 2000) (PAIA)
- j) Division of Revenue Act (DoRA)

5. Role of Performance Information

- 5.1 Performance information is a generic term for non-financial information regarding government services and activities. The terms “performance indicator and “performance measure” are sometimes used interchangeably.
- 5.2 Performance information measures the effectiveness of predetermined aims and objectives, and assesses the value of policies and procedures.
- 5.3 The efficient utilisation of available data and knowledge is crucial for executing government’s mandate, and facilitating accountability.
- 5.4 Performance information is key to effective management, including planning, budgeting, implementation, monitoring and reporting.
- 5.5 To ensure that public service delivery is as efficient and economical as possible, it is a requirement to formulate strategic plans, allocate resources to implement such plans, and monitor and report the results.
- 5.6 Performance information is crucial in determining effective service delivery, by comparing performance against budgets and service delivery plans, and taking corrective action when required.
- 5.7 Performance information is critical to the development of policies and planning and holding institutions accountable for performance management.
- 5.8 Quarterly and Annually reports shall be in line with the applicable Strategic Plan, Annual Performance Plan and templates prescribed by Treasury.
- 5.9 Plans (Strategic and Annual Performance) and Performance targets shall be linked to budgets to improve operational Effectiveness.
- 5.10 Planning and reporting time frames shall be in line with the applicable legislation and Treasury prescripts.

6. Planning, Budgeting and Reporting

- 6.1 The performance information reported in accountability documents enables the tracking of performance and accountability.
- 6.2 Performance information is critical at each stage in the planning, budgeting and reporting cycle to enable managers to adopt a results-based approach in managing service delivery.
- 6.3 The planning, budgeting and reporting cycle is as follows:
 - i) Policy Development;
 - ii) Strategic planning: identify desired impacts;
 - iii) Operational planning and budgeting: Set targets and allocate resources;
 - iv) Implementation and in-year reporting: Monitor and take corrective action; and

- v) End-year reporting: Assess and adjust.
- 6.4 The accountability reports associated with each stage of the cycle provide the relevant performance information.
- 6.5 The table below indicates the accountability reports:

Accountability cycle	Accountability documents	Performance information
Policy development	Policy documents	Identify baseline information informing policy
	Explanatory memoranda and accompanying bills	Set out desired effect of policy
Strategic planning	Strategic plans	Indicate outputs to be produced
	Corporate plans	Specify performance indicators
Operational planning and budgeting	Operational plans	Set performance targets
	Budgets	Indicate available resources
	Performance agreements	Allocate responsibilities
Implementation and in-year reporting	Monthly budget reports	Report progress with implementation of plans and budgets
	Quarterly performance reports	
End-year reporting	Annual reports	Report on performance against plans and budgets

7. Key Performance Information Concepts

- 7.1 Performance information must be structured to clearly demonstrate how available resources are utilized to deliver on government's mandate.

- 7.2 The following terminology is used for the purposes of measuring performance:
- i) Inputs: “What are used to perform the work”;
 - ii) Activities: “What is done”;
 - iii) Outputs: “What is produced and delivered”;
 - iv) Outcomes: “What should be achieved” and
 - v) Impacts: “The results achieved”.
- 7.3 When monitoring and assessing outcomes and impacts, government interventions must also be identified and monitored in order to manage risks and take any necessary corrective action.
- 7.4 In managing towards achieving results (Impacts and outcomes), budgets are developed in relation to inputs, activities and outputs (Planning, budgeting and implementation).

8. Performance Indicators

- 8.1 Performance indicators must be specified to measure performance in relation to inputs, activities, outputs, outcomes and impacts. Defining a good performance indicator requires a careful analysis of what must be measured. A good performance indicator should be:
- i) **Reliable:** The indicator must be accurate enough for its intended use and respond to changes in the level of performance;
 - ii) **Well-defined:** The indicator must have a clear, unambiguous definition so that data will be collected consistently and is easy to understand and use;
 - iii) **Verifiable:** It must be possible to validate the processes and systems that produce the indicator;
 - iv) **Cost-effective:** The usefulness of the indicator must justify the cost of collecting the data;
 - v) **Appropriate:** The indicator must avoid unintended consequences and encourage service delivery improvements, and not provide managers with incentives to carry out activities simply to meet a particular target; and
 - vi) **Relevant:** The indicator must relate logically and directly to an aspect of the institutions mandate and the realization of strategic goals and objectives.
- 8.2 Indicators must include performance indicators related to the provision of goods and services, as they are useful for monitoring and improving performance.
- 8.3 The following table indicates the relevance of performance indicators in which economy, efficiency, effectiveness and equity are conceptualised:

Indicator	IMPACTS	Equity
Indicator	OUTCOMES	Effectiveness
Indicator	OUTPUTS	Efficiency
Indicator	ACTIVITIES	Efficiency
Indicator	INPUTS	Economy

8.4 Where possible, indicators that directly measure inputs, activities, outputs, outcomes and impacts must be sought. Typical indicators should include the following:

- i) **Cost or price indicators** are important in determining the economy and efficiency of service delivery;
- ii) **Distribution indicators** relate to the distribution of capacity to deliver services and are critical in assessing equity across geographical areas, urban-rural divides or demographic categories;
- iii) **Quantity indicators** relate to the number of inputs, activities or outputs. Quantity indicators are generally time-bound, e.g. the number of inputs available at a specific point in time, or the number of outputs required over a specific time period;
- iv) **Quality indicators** reflect the quality of that which is being measured against predetermined standards. Such standards should reflect the needs and expectations of affected parties while balancing economy and effectiveness.
- v) **Date and time-frame indicators** reflect timeliness of service delivery, including service frequency measures, waiting times, response times, and turnaround times;
- vi) **Adequacy indicators** reflect the quantity of input or output relative to the need or demand, i.e. is enough being done to address the problem; and
- vii) **Accessibility indicators** reflect the extent to which the intended beneficiaries are able to access services or outputs.

8.5 Particular attention must be paid to developing indicators that measure efficiency, effectiveness and equity using data collected through these and other direct indicators:

- i) **Economy indicators** explore whether specific indicators are acquired at the lowest cost and at the right time, and whether they method of producing the requisite outputs is economical.
- ii) **Efficiency indicators** explore how productivity inputs are translated into outputs. An efficient operation maximizes the level of output for a given set of inputs, or it minimises the inputs required to produce a given level of output.

- iii) **Effectiveness indicators** explore the extent to which the outputs of an institution achieve the desired outcomes. An effectiveness indicator assumes a model of how inputs and outputs relate to the achievement of an institutions strategic objectives and goals.
- iv) **Equity indicators** explore whether services are being provided impartially, fairly and equitably. Equity indicators reflect the extent to which an institution has achieved and maintained an equitable supply of comparable outputs across demographic groups, regions, etc.

9. Performance Targets

- 9.1 Once suitable indicators have been defined, the level of performance must be specified, i.e. specifying suitable performance targets in relation to current baselines.
- 9.2 The baseline is the current level of performance. The initial step in setting performance targets must be based on the performance recorded in the year prior to the planning period.
- 9.3 As regards annual plans, the baseline will shift each year and the first year's performance will become the following years baseline.
- 9.4 Performance targets express a specific level of performance that the programme intends achieving within a specified time period.
- 9.5 Performance standards express the minimum acceptable level of performance, as required in terms of legislative requirements, departmental policies, service level agreements, or accepted best practices.
- 9.6 Performance standards should be selected according to the "SMART" criteria:
 - i) **Specific:** The nature and required level of performance must be clearly identified.
 - ii) **Measurable:** The required performance can be measured.
 - iii) **Achievable:** The target is realistic given existing capacity.
 - iv) **Relevant:** The required performance is linked to the achievement of a goal;
 - v) **Time-bound:** The time period or deadline for delivery is specified.

10. Developing Performance Indicators

- 10.1 Performance indicators must be used to identify service delivery and performance gaps, set targets and achieve better results. Six key steps are identified:

Step 1: Agree on what you are aiming to achieve

Well defined strategic goals and objectives provide a better basis from which to develop suitable programmes and projects, as well as appropriate indicators, which must be defined in measurable terms.

Step 2: Specify outputs, activities and inputs

Specify what the institution needs to do to achieve the desired outcomes and impacts.

Step 3: Select the most important indicators

Institutions should select indicators that measure important aspects of the service that is been delivered, such as critical inputs, activities and key outputs.

Step 4: Set realistic performance targets

Effective performance management requires realistic and achievable targets that challenge the institution. Ideally targets should be set with reference to previous and existing levels of achievement (current baselines) and realistic forecasts of what is possible. Where targets are set in relation to service delivery standards it is important to recognize current service standards and what is generally regarded as acceptable.

Step 5: Determine process and format for reporting performance

Performance information is only useful if it is consolidated and reported back into planning, budgeting and implementation processes where it can be used for management decisions, particularly for taking corrective action.

Step 6: Establish processes and mechanisms to facilitate corrective action

Regular monitoring and reporting of performance against expenditure plans and targets enables managers to utilize information needed to take decisions to maintain service delivery. Measuring, monitoring and managing performance are integral to improving service delivery.

11. Performance Management Reporting Requirements

- 11.1 The accountability process culminates in the publication of the annual report which serves to inform of the progress made in the achievement of objectives.
- 11.2 Annual reports must fairly represent the institutions performance and financial position for a particular fiscal year.
- 11.3 The following documents are used to monitor performance results:
 - i) Five year strategic plan;
 - ii) MTEF Budget Statements;

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- iii) One year annual Performance Plans where performance is expressed in quarterly targets;
 - iv) Quarterly performance reports; and
 - v) Annual reports.
- 11.4 Non-financial performance information must include reporting against the measurable objectives as outlined in strategic and performance plans tabled with the Budget.
- 11.5 The following table reflects the inter-relationship of performance planning/budgeting and performance management:

Performance planning/budgeting		Performance management		<i>Individual performance plans linked to key objectives</i>
Strategic plans	Policy priorities inform plans, provides budget information and is the basis for resource allocation	Programme evaluation	Review of programme-identification where problems arose and corrective action	
Budget allocation process	<ul style="list-style-type: none"> ▪ Expenditure trends ▪ 3-year forward estimates ▪ strategic direction ▪ Previous financial year's outcome taken into account 	Verification and Monitoring	Assessment of progress made against service delivery plans	
Performance measures	<ul style="list-style-type: none"> ▪ Measures and output targets set ▪ Measurable objectives form basis of formulation of sub-programme outputs ▪ Targets measure intended level of performance ▪ Disaggregated to sub-programme level 	Reporting results	Annual and in-year reports which communicate progress and performance against budgets and service delivery plans	

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ROLES AND RESPONSIBILITIES			
Output	Activity	Reporting Period	Responsibility
Strategic plan document	Develop/Review strategic Plan in with the National Treasury's Framework	Per electoral cycle	Accounting Officer and/or Head of Department
Annual Performance Plan	Develop and review annual performance targets in line with 5 year departmental strategic plan document and National Treasury's framework	Annually	Responsibility managers and programme managers
	Check & Sign off Annual Performance Plan programme input	Annually	Programme Managers
	Consolidate inputs from various programmes	Annually	Chief financial office
	Approve the draft document for printing	Annually	Accounting Officer
Quarterly performance Report (Non-Financial information)	<u>APP Compilation</u> Compile sub-programme Quarterly Performance Reports using prescribed format (template).	Quarterly	Responsibility managers and office managers
	<u>Over and /or Under Achievements</u> Report on reasons for significant variances using prescribed format (template).	Quarterly	Responsibility managers
	<u>Check and Sign off</u> Check & Sign off quarterly programme performance information Reports and submit to CFO.	Quarterly	Programme managers
	<u>Departmental Consolidation</u> Check completeness of all submissions and Consolidate departmental QPR using prescribed format.	Quarterly	Chief financial office
	<u>Sign consolidated document</u> Sign and submit consolidated Quarterly Performance Reports.	Quarterly	Chief Financial Officer and/ or Accounting officer

12. Effective Date

12.1 The effective date of this policy is 01 June 2015.

12.2 The next date of review is 31 May 2017

SIGNED

ACTING ACCOUNTING OFFICER

DATE: 01 June 2015