

Maximising the

# Return on Investment

from attending the IMFO Conference



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Well Done to IMFO for a very successful conference in Cape Town from 12 to 14 September 2011. The conference theme of “Financial Sustainability Beyond Compliance” was very applicable to the current political, social and economic environment in which municipalities are currently operating.

I attended the conference as a delegate this year to experience firsthand the challenges that municipalities in South Africa are facing when completing their day to day operational activities in an attempt to achieve their service delivery objectives and to maintain their financial sustainability. It was very interesting to observe the interactions and sharing of knowledge between the conference delegates, exhibitors and other stakeholders. The conference confirmed that the tasks ahead are huge and that all the relevant stakeholders need to work together to ensure that acceptable levels of service delivery and financial sustainability are achieved.

After considering all the data at my disposal after the conference, I have summarised the challenges ahead into the following question: **“How are municipalities, after the 2011 IMFO conference, going to utilise all the knowledge, skills and tools available to them to achieve an acceptable Return of Investment (ROI) without becoming consultant dependant?”** The answer to this question is found in the application of a few basic principles which I will be explaining in this article. These principles and their relation to each other are presented in Figure 1.



Figure 1.

The process starts with the identification of all the factors (operational events) that may affect the financial sustainability of the municipality. There is no standard checklist that can be applied to all municipalities as the reality of each municipality differs depending on the political, economic and social environment in which they operate.

## Factors that affect Financial Sustainability

The leadership and management team of each municipality should meet and discuss the lessons learnt following the IMFO conference. The output should include a SWOT analysis of the factors that may influence the financial sustainability of the municipality. In reviewing the outputs from the IMFO conference, the questions that need to be considered, answered and, where appropriate, actioned include:

- Does the municipality comply with all the relevant regulations, guidelines etc.? Do we know with which legislation we need to comply?
- Have all the risks that affect the municipality been identified? Are these maintained in an up to date Risk Register? What action plans are in place to address the identified risks?
- Have the new councillors been introduced and trained in the municipal processes?
- Has the possibility of implementing a shared services centre been investigated?
- Does the municipality comply with the GRAP requirements? If No, how will this be addressed?
- What are the staff retention statistics of the municipality? Are there adequate and effective staff retention practices in place?
- Is the human resource function at the municipality aware of the new competency framework? How is this going to be implemented? What learning initiatives are required to meet the competency requirements?
- Is there an individual performance management system in place? Is the individual performance management system aligned to the municipal IDP and SDBIP?
- Is individual performance being evaluated and corrective actions / learning actioned?
- Are debtors effectively managed? What initiatives need to be actioned to collect the outstanding amounts?
- Are all assets properly accounted for and documented in an Asset Register?
- Did the municipality receive a clean audit opinion? If No, what is the action plan to ensure that a clean audit is achieved?
- Is the municipality effectively using the knowledge and skills of the Internal Audit function? How are audit queries resolved?
- There are many knowledge resources available to municipalities. How can the management and leadership team mine the knowledge in the most effective way?
- What are the economic, political factors that influence the municipality's level of service delivery? How are these going to be addressed?
- Does the municipality fully understand the implications of King III? How is the required compliance going to be achieved?
- Are appropriate Service Level Agreements (SLA)

in place for all contractual agreements? Are these evaluated and appropriately managed?

- Does the departmental and top level SDBIP focus on driving the correct organisational and individual performance (behaviour)? If No, what is the action plan to ensure that this can be achieved?
- Is there effective community participation and involvement in the required municipal processes? If No, what is the action plan to ensure that this can be achieved?
- What actions has the municipality taken around PPP's and LED initiatives? How will success be measured?
- Has there been any occurrence of corruption and / or financial mismanagement? If Yes, what measures will be put in place to prevent this in the future?

All the questions raised have a few basic principles in common. These are:

- They all need to be investigated, discussed, answered and actioned;
- They all need to be assigned to accountable and responsible officials;
- They all need to be prioritised;
- Once assigned, they all need to be monitored and evaluated;
- The outcomes can be included in Dashboards and / or Reports.

Figure 1 shows how the data collected from various sources is funnelled to the leadership and management team for analysis, prioritisation and actioning.

### a) Leadership & Management

The leadership and management team of the municipality have the responsibility of strategically and operationally ensuring that the municipality complies with its mandate. This can only be achieved if the municipal leadership and management team get the basics right. This includes a detailed understanding of the environment in which the municipality operates and the mandate that they need to meet. In the context of this article, it is the collation and analysis of all the data resulting from a SWOT analysis and ensuring that the municipalities SDBIP includes all the required Key Performance Areas (KPAs), Key Performance Indicators (KPIs) and Tasks required to achieve the set objectives (mandate).

A question that may be asked is: ***What mechanisms are available to the municipality to ensure that the challenges identified can be cost effectively met?***

The answer to this question is multi-layered and interdependent. The leadership and management team need to apply their professional judgement to ensure that the most effective mechanisms are used to achieve this. There are many resources available to the municipality to assist them to achieve the desired outcome and these include:

#### 1. Information available on the IMFO website:

There are large volumes of information available on the IMFO website. These include all the presentations and handouts made available during and after the IMFO conference. These resources are available at no cost and provide valuable input

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and guidance. Municipal officials and councillors would do themselves a service by accessing this information and use it to guide their respective municipalities.

## **2. The formation of User / Knowledge sharing Groups:**

A very useful and cost effective way of knowledge and best practice sharing is the formation of User / Knowledge sharing groups where information can be shared between municipalities. These groups can then meet on a regular basis to share information and discuss operational challenges that they are facing. These groups also form a forum to which suppliers and consultants can be invited to present on a specific topic, and / or explain a certain approach etc. These groups can create effective interdependencies on each other and can create a safe and confidential environment where municipalities can share non competitive best practice and knowledge with each other. It will also contribute to the creation of a process where municipalities can move away from their dependence on consultancies and suppliers. For this to be effective the user / knowledge sharing group needs to be properly constituted and guided by well defined and communicated ground rules.

## **3. Effective use of Committees**

Committees provide an opportunity for the creation of small working groups of appropriately skilled individuals to effectively contribute towards the objectives of the committee. These committees, if utilised more effectively within municipalities, can assist with the achievement of their set objectives. For committees to be effective they must be properly constituted and guided by well defined and communicated ground and governance rules.

## **4. Use of Consultants to build capacity and not to do the required work**

In many municipalities there seems to be an over reliance on consultants. Although consultants have a very critical and important role to play, it is important that a situation is not created where municipalities become continuously dependent on the consultant(s). A key deliverable for any utilisation of a consultant should be that the appropriate level of capacity building takes place to ensure that in the long term the municipality has the skills in-house to perform the required tasks. However, this process requires a proper monitoring mechanism to ensure that a measurable and functional skill is imparted to the appropriate municipal officials. Municipalities should ensure that all agreements with consultants include capacity building deliverables as part of the consulting agreement. This will ensure that an appropriate ROI is achieved on consultant spend.

## **5. Learning interventions must be job based**

Municipalities spend large amounts of money on training and capacity building initiatives. Many of these interventions are requested by officials and it is not always as a result of a break in a job competency. It is imperative that all learning interventions for all officials have a direct impact of the effectiveness of them performing their required tasks. Officials need

to attend learning interventions that will improve their capabilities to perform their job, and should not be for competencies that the official requires for his/her expected next job. To ensure the appropriate ROI, from the learning interventions decided upon, there needs to be a direct relation between the officials required competency profile and the available learning interventions available to the official.

## **6. Introduction of conference reports / knowledge sharing sessions**

Officials are always keen to attend conferences and seminars. The learning from these events is not always ploughed back into the municipality. In an attempt to get a return on their investment, municipalities should introduce a KPI whereby officials, irrespective of title or level, that have attended a conference or seminar, must present a learning report to the municipality officials. This report can be in the form of a written report or a physical presentation. By implementing such an initiative, the municipality can ensure that learnings from conferences and knowledge learning sessions are brought back to the municipality. This will ensure that knowledge is shared with the rest of the officials employed at the municipality.

## **7. More effective use of district, provincial and national resources and toolkits**

Municipalities should attempt to improve inter-municipal co-operation and knowledge sharing instead of trying to reinvent the wheel. There are many best practices and tools available and municipalities should attempt to utilise what is available rather than start from new.

Using the resources available to them the leadership and management team must analyse all the data, strategically prioritise the required Objectives, KPAs, KPIs and tasks for multiple financial periods to address the challenges identified. The team should then agree on the tasks that should be actioned in the next financial period.

### **b) Assignment of Tasks**

Once it has been decided which tasks should be carried out, these must be assigned to the responsible official(s). All the tasks must comply with the generally accepted SMART principles i.e.

The task assigned must be Specific, Measurable, Achievable, Realistic and Time-framed (must have an agreed upon deadline). It is very important that the tasks and the underlying requirements are understood and agreed to by the official to whom the task is assigned.

Once assigned, the progress status of the task must be tracked and monitored and evaluated on an ongoing basis. Any deviations from the agreed upon SMART criteria must be appropriately actioned.

### **c) Monitoring & Evaluation**

Without monitoring and evaluation there is no purpose of assigning tasks to officials. Assigned tasks need to be monitored to ensure that they are completed in the correct manner and to ensure that they will be completed on the agreed upon deadline date. Tasks must also be evaluated to ensure that the quality of the delivery

is correct and that the delivery meets the required standards. Where required standards have not been met, there must be an opportunity for corrective action to be taken. In our view the outcomes from monitoring and evaluation affect the following:

**1. Operational activities of the municipality:**

This is a tracking and early notification mechanism should the municipality be falling behind on agreed upon service delivery promises / mandates.

**2. The officials' capacity (competencies):**

By monitoring and evaluation of the official(s) performance the management team will be able to identify the performance gaps of the official(s) against the preset KPAs, KPIs and / or tasks assigned. This will provide an early warning system on the lack of performance on competencies required to enable the official to complete the required deliverable. Management can then take the required steps to introduce the required learning, training, coaching and /or mentoring initiatives. All of these capacity building activities should be managed through individual development plans agreed to with each official.

**3. Reports and Dashboards:**

Reports and Dashboard provide the management team with navigational tools to assist with the achievement of agreed upon preset objectives as defined in the SDBIP. Reports and Dashboard can present the current levels of service delivery against preset goals and local, district, provincial, national and international benchmarks. These reports can form very valuable tools to the leadership and management team in measuring their performance against best practice.

The outputs from monitoring and evaluation feed into capacity building activities.

**d) Capacity Building**

Capacity building is one of the largest challenges that municipalities face. Without effectively identifying and managing the performance gaps of all officials within the municipality, the appropriate levels of service delivery and financial sustainability will never be achieved. Officials that have the required skill sets (competencies) to carry out their functions, are less likely to move to other employment opportunities if they are appropriately rewarded and incentivised. This would assist in addressing the staff retention challenge municipalities are currently facing. Officials should be offered learning

opportunities to make them more effective in delivering their required function i.e. in those areas where the monitoring and evaluation process has identified that a specific skill set is lacking to perform a specific task.

The outputs from monitoring and evaluation also feed data into reports and dashboards.

**e) Reporting & Dashboards**

Municipalities require various types of Reporting and Dashboards. Management should receive reports that inform them of the completion status of all assigned actions report on against assigned deadline dates. Exception reporting is very important as it can provide an early warning system of required actions not being completed by the agreed to deadline date. It should be noted that by embedding assigned SMART actions into the operational and reporting processes, management has access to a first tier of performance management as employees can be held fully responsible and accountable for the tasks assigned to them. By providing employees with action dashboards, per activity type, employees will be informed at all times of what actions assigned are overdue, due today and due in the next defined period. The dashboards can also provide an early warning system of officials that are not meeting their set deadlines. This will allow for effective, proactive actioning by the municipality.

Municipalities should explore the possibility of introducing Event Driven Reporting and Even Driven Notifications. i.e. that in an instance where certain events take place an exception report is generated and / or a notification is sent to predefined officials. This will greatly assist with the ever increasing workload that is being placed on the municipal management and leadership team as they should be focused on the big picture and not on the day to day detail, for which they have a support team whom should be appropriately capacitated to perform their required functions.

My challenge to all the municipalities is that they should utilise the skills and resources that are readily available to them and that they should define appropriate knowledge management and knowledge sharing processes as well as reporting mechanisms to enable them to obtain a real return on investment on their operational activities. This, in turn, will assist municipalities to reduce the continuous dependency on consultants and to ensure their long term financial sustainability.



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