KAROO HOOGLAND MUNICIPALITY

PERFORMANCE MANAGEMENT FRAMEWORK

A DESCRIPTION OF THE PERFORMANCE MANAGEMENT SYSTEM, MODEL, PROCESSES AND PROCEDURES, AND THE RESPECTIVE ROLES AND RESPONSIBILITIES OF ROLE-PLAYERS AND STAKEHOLDERS.

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List of acronyms
AG : Auditor General
CCR : Core Competency Requirement
IDP : Integrated Development Plan
KPA : Key Performance Areas
KPI : Key Performance Indicators
LED : Local Economic Development
MFMA : Municipal Finance Management Act
MSA : Municipal Systems Act
MTEF : Medium Term Expenditure Framework
PDP : Personal Development Plan
PMS : Performance Management System
POE : Portfolio of Evidence
SALGA : South African Local Government Association
SDBIP : Service Delivery and Budget Implementation Plan
SFA : Strategic Focus Area
SMART : Specific, Measurable, Achievable, Realistic, Time-frame
TL SDBIP : Top Layer Service Delivery Budget Implementation Plan
WPSP : Work Place Skills Plan
Glossary of terms

“accounting officer”
(a) in relation to a municipality, means the municipal official referred to in section 60 of the Municipal Systems Act; or
(b) in relation to a municipal entity, means the official of the entity referred to in section 93, and includes a person acting as the accounting officer

“annual report”
in relation to a municipality or municipal entity, means an annual report contemplated in section 121 of the Municipal Finance Management Act

“Auditor-General”
means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person-
(a) acting as Auditor-General
(b) acting in terms of a delegation by the Auditor-General; or
(c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General

“basic municipal service”
means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment

“backlogs”
A backlog can be defined as quality of service/ goods that have accumulated over time that are still undelivered/unattended/still not produced. The backlogs in rural water, sanitation and electricity have been defined in official census figures, but vary (increase or decrease) from year to year due to migration patterns. Regardless, these backlogs are now being dealt with systematically (refer to baseline).

“baseline”
the accurate and quantitative data at a stated point in time that marks the beginning of a trend.

“Councillor”
means a member of a municipal council

“Section 57 employee”
means a person employed by a municipality as a municipal manager or as a manager directly accountable to a municipal manager;

“employer”
means the municipality employing a person as a municipal manager or as manager directly accountable to a municipal manager and as represented by the mayor, executive mayor or municipal manager as the case may be; 7
“employment contract”
means a contract as contemplated in Section 57 of the Municipal Systems Act;

“external service provider”
means an external mechanism referred to in section 76(b) of the Municipal Systems Act;
which provides a municipal service for a municipality

“financial statements”
in relation to municipality or municipal entity, means statements consisting of at least-
(a) a statement of financial position;
(b) a statement of financial performance;
(c) a cash-flow statement;
(d) any other statements that may be prescribed; and
(e) any notes to these statements

“financial year”
means the financial year of municipalities that end on 30 June of each year

“input indicator”
means an indicator that measures the costs, resources and time used to produce an output

“integrated development plan”
means a plan envisaged in section 25 of the Municipal Systems Act

“local community” or “community”
in relation to a municipality, means that body or persons comprising –
(a) the residents of the municipality
(b) the ratepayers of the municipality
(c) any civic organisations and non-governmental, private sector or labour organisations or
bodies which are involved in local affairs within the municipality

“Mayor”
in relation to –
(a) a municipality with an executive mayor, means the councillor elected as the executive
mayor of the municipality in terms of section 55 of the Municipal Structures Act; or
(b) a municipality with an executive committee, means the councillor elected as the mayor
of the municipality in terms of section 48 of that Act

“MEC for local government”
means the MEC responsible for local government in a province

“Minister”
means the national Minister responsible for local government

“municipality”
when referred to as –
(a) an entity, means a municipality as described in section 2; and
(b) a geographical area, means a municipal area determined in terms of the Local
“municipal council” or “council”
means a municipal council referred to in section 157(1) of the Constitution

“municipal entity”
means –
(a) a company, co-operative, trust fund or any other corporate entity established in terms of
any applicable national or provincial legislation which operates under the ownership
control of one or more municipalities, and includes, in the case of a company under such
ownership control, any subsidiary of that company, a private company referred to in section
86B(1)(a); or
(b) a service utility.
(c) a multi-jurisdictional service utility

“Municipal Finance Management Act”
means the Local Government: Municipal Finance Management Act, 2003, and any
regulations made under that Act

“Municipal Manager”
means a person appointed in terms of section 82 of the Municipal Structures Act

“municipal service”
has the meaning assigned to it in section 1 of the Municipal Systems Act

“Municipal Structures Act”

“Municipal Systems Act”

“Outcome indicator”
means an indicator that measures the quality and or impact of an output on achieving a
particular objective

“Output indicator”
means an indicator that measures the results of activities, processes and strategies of a
program of a municipality

“parent municipality”
(a) in relation to a municipal entity which is a private company in respect of which effective
control vests in a single municipality, means that municipality;
(b) in relation to a municipal entity which is a private company in respect of which effective
control vests in two or more municipalities collectively, means of those municipalities;
(c) in relation to a municipal entity which is a service utility, means the municipality which
established the entity; or
(d) in relation to a municipal entity which is a multi-jurisdictional service utility, means each
municipality which is a party to the agreement establishing the service utility

“private company”
means a company referred to in section 19 and 20 of the Companies Act. 1973 (Act No. 61
9 of 1973)

“performance agreement”
means an agreement as contemplated in Section 57 of the Municipal Systems Act which can be altered during the course of the financial year with the written consent from both the employer and employee. The performance agreement is guided by any change in the organisational structure.

“performance plan”
means a part of the performance agreement which details the performance objectives and targets that must be met and time frame within which these must be met.

“prescribe”
means prescribe by regulation or guidelines in terms of section 120 and “prescribed” has a corresponding meaning

“political office bearer”
means the speaker, executive mayor, mayor, deputy mayor or member of the executive committee as referred to in the Municipal Structures Act

“political structure”
in relation to a municipality, means the council of the municipality or any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act

“resident”
in relation to a municipality, means a person who is ordinarily resident in the municipality

“senior manager”
(a) in relation to a municipality, means a manager referred to in section 56 of the Municipal Systems Act; or
(b) in relation to a municipal entity, means a manager directly accountable to the chief executive officer of the entity

“service authority”
means the power of a municipality to regulate the provision of a municipal service by a service provider

“service delivery agreement”
means an agreement between a municipality and an institution or person mentioned in section 76(b) of the Municipal Systems Act in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

“service delivery and budget implementation plan”
means a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) of the Municipal Finance Management Act 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) of the Municipal Finance Management Act

“service utility”
means a municipal entity established in terms of section 82(1)(c), a body established in terms of section 86H of the Municipal Systems Act

“staff” in relation to a municipality, means the employees of the municipality, including the municipal manager.
1 BACKGROUND

The White Paper on Local Government, 1998 proposed the introduction of performance management systems to local government, as a tool to monitor service delivery progress at local government. It concluded that the concepts of integrated development planning, budgeting and performance management are powerful tools that can assist municipalities to develop an integrated perspective on development in their area. It will enable them to focus on priorities within an increasingly complex and diverse set of demands and to direct resources allocations and institutional systems to a new set of development objectives.

The White Paper adds that: “Involving communities in developing some municipal key performance indicators increases the accountability of the municipality.”

Chapters 6 of the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000), requires local government to:

- Develop a performance management system.
- Set targets, monitor and review performance based on indicators linked to the Integrated Development Plan (“IDP”).
- Publish an annual report on performance management for the councillors, staff, the public and other spheres of government.
- Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for local government.
- Conduct an internal audit on performance report audited by the Auditor-General.
- Have their annual performance report audited by the Auditor General.
- Involve the community in setting indicators and targets and reviewing municipal performance.

2 INTRODUCTION

The purpose of this document is to update the previous PMS framework according to the requirements of the Municipal Systems Act, develop a performance management framework for the Karoo Hoogland Municipality (“KHM”). This framework caters for the development, implementation, roll-out and sustainable measuring of performance management within KHM.

Performance Management is a process which measures the implementation of the organisation’s strategy.

At local government level, performance management is institutionalized through the legislative requirements and policies of a municipality. Performance management provides the mechanism with which to measure targets set by the organization and its employees to meet its strategic objectives.

The Constitution of South Africa (1996), section 152, dealing with the objectives of local government paves the way for performance management, with the requirements for an “accountable government”. The democratic values and principles in terms of section 195 (1)
are also linked with the concept of Performance management, with reference to the principles of inter alia:

- the promotion of efficient, economic and effective use of resources;
- accountable public administration;
- to be transparent by providing information;
- to be responsive to the needs of the community; and
- to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. The MSA and the Municipal Finance Management Act (MFMA) further requires from the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored through the Service Delivery and the Budget Implementation Plan (SDBIP).

This framework is to be read with the performance indicators and targets linked to the Integrated Development Plan (“IDP”). The performance indicators include baseline, input, output and outcome indicators, the targets include target dates and HR performance targets and the IDP includes Key Performance Areas (KPAs), priority areas and strategic objectives.

In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that “A Municipality’s Performance Management System entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.”

Section 57 makes the employment of the municipal manager and managers directly accountable to the municipal manager subject to a separate performance agreement concluded annually before the end of July. Section 67 regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively. Performance Management, therefore, is not only relevant to the organisation as a whole, but also to the individuals employed in the organisation as well as the external service providers.

This framework therefore describes how Karoo Hoogland Municipality’s performance process, for the organisation as a whole will be conducted, organised and managed.

It also has the following objectives:

- Clarify processes of implementation;
- Ensure compliance with legislation;
- Demonstrate how the system will be conducted;
- Define roles and responsibilities;
- Promote accountability and transparency; and
- Reflect the linkage between the IDP, Budget, SDF, SDBIP and individual staff performance
- And the evaluation of performance of service providers.

The framework also take into consideration the currently transition from the old organisational structure to the new organisational structure and supports the process that is underway to update and transfer key performance indicators (KPIs) in line with the new organisational structure.
3 RATIONALE FOR PERFORMANCE MANAGEMENT

3.1 Framework and Legal Context for Performance Management

The legal framework, context and foundation for the performance management function in local government is found in the following:

a) Constitution of the Republic Of South Africa (1996);

b) Local Government: Municipal Systems Act (MSA) 2000 and its amendments;

c) Government Gazette: Regulation gazette No.7146;

d) Municipal Financial Management Act (MFMA) No.56 of 2003;

e) Municipal Structures Act 1998;

f) National Treasury: 2007 Framework for managing performance information;

g) White Paper on Local Government (1998);

h) Municipal Planning and Performance Regulation 796 (2001);

i) Municipal Performance Regulation for Municipal Managers and Managers directly accountable to Municipal Managers (805 of 2006);


k) MFMA Circular 11: Annual Reports;

l) MFMA Circular 13: SDBIP;

m) MFMA Circular 32: Oversight report;

n) MFMA Circular 42: Funding of municipal budget; and

o) MFMA Circular 54: Municipal budget circular.


3.2 Objectives of Performance Management

The objectives of the performance management system are to:

- Facilitate strategy development;
- Facilitate increased accountability;
- Facilitate learning and improvement;
- Provide early warning signals;
- Create a culture of best practices; and
- Facilitate decision-making.

The above objectives are aligned with the MSA and the guidelines of the Department of Development Planning and Local Government.

3.3 Benefits of Performance Management

- It provides clarity throughout the organisation on the objectives to be achieved;
- It focuses the energies of the leadership on the key performance areas for achieving the IDP and SDBIP;
- It aligns the activities of the organisation and provides a powerful drive towards the achievement of SDBIP maturity;
- By providing management with an interpreted performance picture of the achievement of the IDP and SDBIP, it serves as an early warning system and enables continuous re-planning and mid-course corrections;
- It provides clear responsibilities and performance targets to organizational components and key individuals;
- It guides the development of the organization and its human resources within a clear longer term strategic context; and
- It provides the processes and mechanisms which are essential for fully effective functioning of the performance management solution.

3.4 Principles that will Guide the Development and Implementation of Performance Management

- Simplicity
- Politically driven
- Incremental implementation
- Transparency and accountability
- Integration
- Objectivity.

3.5 KHM Performance Management Model

- What is a performance management model?
- The value of a performance management model
- Criteria of a good performance management model

3.5.1 What is a Performance Management Model?

Performance management is defined as a strategic process to management (or system of management) that equips leaders, managers, employees and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets for efficiency, effectiveness and impact. Regulation 7 of the Performance Management Regulations, 2001 requires that every municipality develop a performance management system (“PMS”) that consists of a performance framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, and must set out the roles and responsibilities of the different stakeholders. These Regulations further provide in Regulation 13 that a municipality must, after consultation with the community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and targets set by it.

Performance measurement involves determining the extent to which objectives are being achieved through developing indicators and linking them to targets and related standards. Review of performance against set targets is undertaken on a regular basis. A performance measurement framework is a practical plan for the municipality to collect, process, organise, analyse, audit, reflect on, and report performance information.
A performance management model is the system that is used to monitor, measure and review performance indicators within the above performance management framework. It is a choice about what aspects or dimensions of performance will be measured. It implies the grouping together of indicators into logical categories or groups, called perspectives, as a means to enhance the ability of an organization to manage and analyze its performance.

### 3.5.2 The Value of a Performance Management Model

The value of performance management models can be summarized as follows:

- Models simplify otherwise long lists of indicators by organizing them into perspectives which will sufficiently represent effective performance;
- Different models differ enormously on what is viewed as key aspects of performance (Key Performance Areas) and can help organizations make their own decisions on a model that fits their context;
- Models help in aligning the relationship between areas of performance when planning, evaluating and reporting;
- Models help align strategic planning and performance management by directly linking Key Performance Areas to priority areas in the strategic plan.
- Building an own model allows municipalities to agree on what areas of performance should be integrated, managed and measured and what values should inform indicators and standards of achievement.

### 3.5.3 Criteria of a Good Performance Management Model

The following characteristics should guide the choice of a performance management model:

- It must be simple to develop and its implementation must be able to be cascaded to the lower levels with ease.
- The model must ensure that there is a balance in the set of indicators being compiled.
- The balance created by the model must encompass all relevant and priority areas of performance.
- The perspectives must be aligned to the IDP objectives.
- The model must be able to timeously diagnose blockages in the system.
- It must be easy to replicate to all organizational levels.
- It must be easy to integrate with other municipal systems and processes.

With developments through the adoption by national cabinet of the 5-Year Local Government Strategic Agenda, that aligns local government with the national program of action, it became imperative to review the above municipal scorecard model and to align it with the 5 Key Performance Areas (KPAs) for local government.
3.6 IMPLEMENTATION OF THE MUNICIPAL SCORECARD PERFORMANCE MODEL IN KHM

KHM opted for a three-level approach of implementing the performance scorecard. The three levels are as follows:

- **LEVEL 1**: the organisational level reflecting the strategic priorities of the municipality. This level is the focus of the Mayor and the Municipal Manager and will inform the individual scorecard of the Municipal Manager.
- **LEVEL 2**: the tactical level that is derived from the organisational level and provides a more comprehensive picture of the achievement of performance of a particular service. This level fills the gap between the strategic and the operational levels and is the joint focus of the Municipal Manager and various Heads of Departments.
- **LEVEL 3**: the operational level of the performance scorecard that consists of objectives, indicators and targets derived from the various departmental service delivery plans and includes the respective departmental service delivery strategies. The operational level is the responsibility of the respective Heads of Departments and therefore their individual performance scorecards will be aligned with the indicators and targets of this level.

Combined, the three levels of performance scorecards will become the organisational performance management system (PMS) of KHM.

An illustration of the tri-level scorecard is presented in FIGURE 2.

![FIGURE 2: THREE TIER PERFORMANCE SCORECARD](image-url)
3.7 Developing the Organizational Scorecard and Outlining the Scorecard Concepts

During the IDP process a corporate vision and mission are formulated for KHM, together with broad, strategic key performance areas (KPAs), development objectives and key performance indicators (KPIs), all of which feed into and support the vision and mission. It is now necessary to expand this process further into the performance management system, by developing an organisational or strategic performance scorecard that will encompass all the relevant areas or concepts that will allow measurement, evaluation, and reporting of the performance of the organisation using this scorecard. This will be done by using relevant concepts to populate the organisational and operational (departmental) performance scorecards of KHM. This process of developing the organisational and departmental scorecards will be followed every year after the approval and adoption of the IDP and the budget and after evaluation of the previous year’s scorecard for municipal performance. An illustration of the components of an organisational or strategic performance scorecard is reflected in TABLE 1.

| Step 1 | Outline the National Key Performance Areas (KPAs) |
| Step 2 | Identify and define Strategic Focus Areas (SFAs) that fall under each KPA |
| Step 3 | Formulate appropriate development objectives (IDP objectives) for each SFA |
| Step 4 | Develop suitable Key Performance Indicators (KPIs) |
| Step 5 | Indicate the types of Key Performance Indicator |
| Step 6 | Provide baseline information |
| Step 7 | Set annual targets for each KPI |
| Step 8 | Indicate quarterly projections to be met arising out of the set annual targets |
| Step 9 | Allocate responsibilities to departments for execution of actions |
| Step 10 | Provide frequency of reporting on progress |
| Step 11 | Indicate the structure mandated to receive progress reports |

TABLE 1: ORGANISATIONAL PERFORMANCE SCORECARD CONCEPTS

In the following paragraphs explanatory notes are expanding and explaining each of the component concepts listed in Table 1.

1.1. Step 1: Setting out National Key Performance Areas (KPAs)

Outlining Key Performance Areas is the first step in the performance management process. According to the 5-Year Local Government Strategic Agenda, all municipalities are required to cluster their priority issues identified during the IDP development and review processes around the following KPAs:

- Service delivery;
- Local economic development;
- Institutional transformation;
- Democracy and governance; and
- Financial viability.
1.2. Step 2: Defining Strategic Focus Areas (SFAs) that fall under each KPA

In its IDP KHM will cluster the different elements within each of the broad KPA s under Strategic Focus Areas, e.g. under the Service Delivery KPA there will be several Strategic Focus Areas such as potable water, waste water, electricity, etc.

1.3. Step 3: Formulating Appropriate Development Objectives

As a third step, KHM will design high level objectives per SFA. An objective is a measurable statement of intent, measurable either quantitatively or qualitatively. It is a series of elements of the vision or mission broken down into manageable quantities.

There is no hard-and-fast rule about how many objectives to set, but it is important to make it manageable and realistic and it is therefore advisable to limit the number. It is advisable to divide a SFA into its constituent parts – either geographically or functionally – and to identify and formulate one objective per part.

An example: Under the KPA of Service Delivery and the SFA of Solid Waste Management, the following objective could be formulated:

“To provide every dwelling in KHM with a weekly door-to-door refuse collection service by June 2021”

1.4. Step 4: Developing Suitable Key Performance Indicators (KPIs)

As a fourth step it is necessary to determine KPIs, which define what needs to be measured in order to gauge progress towards achieving the development objectives discussed in the previous step. KPIs must be measurable, relevant, simple and precise. They simply define how performance will be measured along a scale or dimension, e.g. “number of houses to be built”. The White Paper on Local Government stresses the need for involving communities, officials and organised labour in the development of KPIs.

KPIs can also be used to:

- Communicate the achievements and results of the municipality;
- Determine whether the municipality is delivering on its developmental mandate;
- Indicate whether the organisational structure of the municipality is aligned to deliver on its development objectives; and
- Promote accountability by the council to its electorate.

1.5. Step 5: Indicate the Types of Indicators (KPIs)

Input Indicators: These indicators are typically cost related. As the name suggests, they literally measure what inputs have been made towards achieving the objective and they are most relevant to the day-to-day operations of the municipality. Examples of input indicators include costs, equipment, human resources, time, etc.

Process indicators: These indicators describe how well municipalities use their resources in producing services. They cover the activities and operations that convert inputs into outputs. They are essentially internal types of indicators.

Output indicators: These indicators refer to “products” produced by processing inputs, i.e. the end point of an activity, for example the number of houses built or the number of
electricity connections made. Output indicators should only be used for those functions for which the municipality is directly responsible.

**Outcome indicators:** These indicators measure the extent to which strategic goals or outcomes are being met. Outcomes are usually based on the results of different variables acting together, e.g. increased economic activity as a result of improved water supply. They measure the effect that the goals and objectives are having on the community and they are important diagnostic tools. Based on many variables, they tend to lag behind output indicators because they can only be measured after the outputs have been produced. They are also more difficult to measure and are usually influenced by factors external to the municipality’s control, so it cannot necessarily be said that a municipality is solely responsible for performance in this regard.

Before the KPIs are set, the municipality is expected to identify the KPAs that require performance measuring and improvement. Once this is done, the municipality will develop KPIs and performance targets with regard to each KPA and development objective.

A KPI and its associated target have to be consistent with the SMART principles of being:

- Specific and Simplistic
- Measurable
- Achievable
- Realistic and Relevant
- Time-bound and precise.

In terms of Regulation 10 of the Municipal Planning and Performance Management Regulations, 2001, all municipalities must report on general national KPIs by the end of the financial year. The reasons why it is important to incorporate the national KPIs into the municipality’s set of measures is to:

- Ensure accountability;
- Direct municipalities to focus on national goals and priorities;
- Measure the impact of municipalities on national transformation, development and service delivery programs;
- Enable benchmarking and create the basis for performance comparison across municipalities; and
- Bring some uniformity in the system by ensuring that there is commonality of measures in performance evaluation across municipalities.

The seven (7) general KPIs are provided for in Regulation 10 of the 2001 Municipal Planning and Performance Regulations and are listed below:

- the percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- the percentage of households earning less than R1100 per month with access to free basic services;
- the percentage of the municipality’s capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality’s integrated development plan;
- the number of jobs created through the municipality’s local, economic development initiatives including capital projects;
- the number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality’s approved employment equity plan;
• the percentage of the municipality’s budget actually spent on implementing its workplace skills plan; and
• the municipality’s financial viability as expressed by the ratios for debt coverage, outstanding service debtors to revenue and cost coverage.

### 1.6 Step 6: Provide Baseline Information for each KPI

The next step is to determine the baseline indicator for each set KPI. A baseline indicator is the value (or status quo) of the indicator prior to the period during which performance is to be measured, evaluated, reported, and reviewed.

### 1.7 Step 7: Set Annual Targets for each KPI

In this step annual performance targets must be set for each identified KPI. Performance targets should comply with the SMART principles (Specific, Measurable, Achievable, Realistic and Time related). It is also important to guard against setting too many performance targets.

Target dates for the completion of actions should be set in conjunction with those Departments responsible for their achievement. It is important to be realistic in the setting of target. If realistic targets are not set the municipality will create false expectations and also set the organization and its employees up for failure.

### 1.8 Step 8: Outline Quarterly Projections

This step is about unpacking each of the annual targets and dividing them into quarterly projections. Provision must be made in the organisational scorecards for targets to be met in respect of the first, second, third or fourth quarter of the reporting period.

In determining the quarterly projections, account has to be taken of cyclical phenomena, e.g. grass in public open spaces usually does not grow during autumn and winter time and therefore the projections for grass cutting during this time cannot be same as during spring and summer time.

### 1.9 Step 9: Allocating Responsibility

It is also necessary to determine who (which department) takes responsibility for what actions. In the case of the organisational scorecard responsibility would be allocated to a Department. In regard to departmental and other lower echelon scorecards a name and designation must be placed alongside each action described above. This is also a way of cascading the responsibility from the strategic level down to the operational level and from the organisational goals right down to individual employee performance. In this way individual employees can also see exactly what their roles are in achieving the strategic objectives of the municipality.

### 1.10 Step 10: Determining the Frequency of Reporting

In this column of the scorecard the frequency of reporting must be inserted, which could be either

- Monthly
- Quarterly
- Bi-Annually or
- Annually.
1.11 Step 11: Indicate the Structure Mandated to Receive Progress Reports

This step shows the structure that is mandated to play an oversight or executive role or to manage that particular performance area and the structure that will receive the reports on that KPA and SFA.

An indicative template of the Organizational Performance Scorecard with all the above concepts is attached as APPENDIX A.

4 DEFINITIONS AND KEY STEPS IN PERFORMANCE MANAGEMENT

4.1 The Performance Cycles

The overall planning, budgeting and reporting cycle can be summarised as follows:

Figure 1: Performance Management Cycle

Source: Framework for Managing Programme Performance Information
Each of the above cycles can be explained as follows:

**Performance Planning** ensures that the strategic direction of the Municipality more explicitly informs and aligns with the IDP planning, activities and resource decisions. This is the stage where Key Performance Areas (KPAs) and KPIs are designed to address the IDP objectives.

**Performance Measuring and Monitoring** is an ongoing process to determine whether performance targets have been met, exceeded or not met. Projections can also be made during the year as to whether the final target and future targets will be met. It occurs during key points in a process – for example, on a quarterly and annual basis.

**Performance evaluation** analyses why there is under-performance or what the factors were, that allowed good performance in a particular area. Where targets have not been met, the reasons for this must be examined and corrective action recommended. Evidence to support the status is also reviewed at this stage. An additional component is the review of the indicators to determine if they are feasible and are measuring the key areas appropriately.

**Performance Reporting** entails regular reporting to management, the performance audit committee, council and the public.

**Performance review/auditing** is a key element of the monitoring and evaluation process. This involves verifying that the measurement mechanisms are accurate and that proper procedures are followed to evaluate and improve performance. According to section 45, of the MSA, results of the performance measurement must be audited as part of the municipality’s internal auditing process and annually by the Auditor-General. The Municipality have therefore established frameworks and structures to evaluate the effectiveness of the municipality’s internal performance measurement control systems. Areas of weak performance identified at year-end must be addressed during the following years planning phase.
The Performance Process for the entire financial year as follows:

**Table 1: Performance Process for the financial year**

<table>
<thead>
<tr>
<th>Planned Deliverables</th>
<th>Planned Events</th>
<th>Delegation</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>JULY</td>
<td>Quarterly SDBIP report:</td>
<td>Yes, signed quality certificate for quarterly report by MM and Mayor</td>
<td>Quarter 4 report</td>
</tr>
</tbody>
</table>
| Planning, Consultation and Signing of Individual performance agreements, performance plans, managerial competencies and personal development plans with Senior Managers; Publish performance agreements on the website (Directors only); Submit performance agreements to National and Provincial Government. | Signed agreements uploaded unto Municipal Website:  
- Agreements tabled at Council; Agreements submitted to Provincial Government.               | Municipal Manager in relation to Directors performance agreements; Mayor in relation to the MM's performance agreement. | Upload of agreements of directors and Municipal Manager unto website. Confirm reaching of target onto the PMS system |
<p>| AUGUST                                                                             | Planning and Preparation of individual performance agreements and development plans by managers and heads of staff up to the 3rd reporting line.  |
|                                                                                     | Signing of individual performance agreements and development plans by managers and heads                                                  | Yes, Immediate supervisor                                                | Signed agreements delivered to the IDP/PMS unit                        |
|                                                                                     | Submission of the annual performance report to the Auditor General by 31 August.                                                               | Yes, Municipal Manager                                                   | Version emailed by 31 August @ 24:00.                                    |
|                                                                                 |                                                                                                                                             |                                                                          | Hardcopy version due on the 1st of September.                           |
| SEPTEMBER                                                                          | Public participation commences to determine the priorities of the new financial year. This priorities should form the basis of the new TL and Departmental SDBIP. | Yes, Municipal Manager                                                   | Community priorities                                                    |
| IDP and Budget consultation.                                                        |                                                                                                                                               |                                                                          |                                                                        |</p>
<table>
<thead>
<tr>
<th>Planned Deliverables</th>
<th>Planned Events</th>
<th>Delegation</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OCTOBER</strong></td>
<td>Informal Performance review of directors by the Municipal Manager. Informal Performance review of managers and heads by immediate supervisors. Quarterly SDBIP report: • Tabled at Council within one month after the end of the quarter; • Reported submitted to Provincial Government; • Reported to Internal Audit unit; • Placed upon website Provincial and National Government; and • Non-Financial Performance Measures reported to Provincial and National Government.</td>
<td>Yes, signed quality certificate for quarterly report by MM and Mayor.</td>
<td>Quarter 1 report; Signed attendance register as confirmation note for informal performance review with immediate subordinates.</td>
</tr>
<tr>
<td>Quarterly SDBIP report finalised by the 12th calendar day after the end of the quarter under review for the presentation to the Municipal Manager and the Mayor. Tabling of quarterly report for the attention of Council;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NOVEMBER</strong></td>
<td>Review sessions scheduled with each Directorate to review performance indicators and targets.</td>
<td>Yes, Municipal Manager.</td>
<td>Revised TL and Departmental SDBIP.</td>
</tr>
<tr>
<td>TL and Departmental SDBIP review process.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DECEMBER</strong></td>
<td>Draft Annual Report distributed to each Directorate for final input</td>
<td>Yes, Municipal Manager.</td>
<td>Draft Annual Report</td>
</tr>
<tr>
<td>Planned Deliverables</td>
<td>Planned Events</td>
<td>Delegation</td>
<td>Report</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------</td>
<td>------------</td>
<td>--------</td>
</tr>
</tbody>
</table>
| **JANUARY**          | Informal Performance review of directors by the Municipal Manager.  
Quarterly SDBIP report:  
• Tabled at Council within 25 days after the end of the quarter;  
• Reported submitted to Provincial Government; National Treasury and CoGTA;  
• Reported to Internal Audit unit;  
• Placed upon website Provincial and National Government; and  
• Non-Financial Performance Measures reported to Provincial and National Government. | Yes, signed quality certificate for quarterly report by MM and Executive Mayor | Mid-year report; |
| Mid-year SDBIP report finalised by the 12th calendar day after the end of the month under review for the presentation to the Municipal Manager and the Executive Mayor. | Advertised on the Website  
• Reported submitted to Provincial Government; National Treasury and CoGTA  
• Invitation of written submissions from the public  
• Reported to Auditor General | Yes, MM and Mayor | Council Minutes which refers Draft report to the MPAC/Oversight Committee |
| Draft Annual Report | Mid-year performance evaluations of the Municipal Manager and Directors conducted on or before 28 February | Yes, MM and Mayor | Mid-year performance evaluation report of the Municipal Manager and Directors submitted to Council |
| **FEBRUARY**         | Mid-year performance assessments of the Municipal Manager and Directors conducted on or before 28 February | Yes, MM and Mayor | |
| **MARCH**            | Tabled at Council;  
• Report submitted to Provincial Government; National Treasury and CoGTA  
• Report submitted to the Auditor General  
• Follow MPAC process as part of Oversight Process  
• Finalise Oversight Report and table in Council for approval.  
• Publish approved Annual Report and MPAC oversight report on the Municipal Website | Yes, MM and Mayor | Council Minutes which refers Final Annual Report and the MPAC Oversight Report with recommendations; public submissions; AG report; AFS and Internal Audit report. |
| Final Annual Report  | | | |

KAROO HOOGLAND MUNICIPALITY – PERFORMANCE MANAGEMENT FRAMEWORK 2020
<table>
<thead>
<tr>
<th>Planned Deliverables</th>
<th>Planned Events</th>
<th>Delegation</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APRIL</strong></td>
<td>Quarterly SDBIP report finalised by the 12th calendar day after the end of the quarter under review for the presentation to the Municipal Manager and the Executive Mayor. Tabling of quarterly report for the attention of MayCo &amp; Council;</td>
<td>Informal Performance review of directors by the Municipal Manager Informal Performance review of managers and heads by immediate supervisors Quarterly SDBIP report: • Tabled at Council within 25 days after end of month; • Reported submitted to Provincial Government; • Reported to Internal Audit unit • Placed upon website Provincial and National Government; and • Non-Financial Performance Measures reported to Provincial and National Government</td>
<td>Yes, signed quality certificate for quarterly report by MM and Mayor</td>
</tr>
<tr>
<td><strong>MAY</strong></td>
<td>Submission of the final IDP to Council.</td>
<td>Finalisation of the IDP and submission to Council.</td>
<td>Yes, MM and Mayor</td>
</tr>
<tr>
<td><strong>JUNE</strong></td>
<td>Finalisation of the TL SDBIP and submission to the Executive Mayor.</td>
<td>Finalisation of the TL SDBIP and submission to the Executive Mayor.</td>
<td>Yes, MM and Mayor</td>
</tr>
</tbody>
</table>

**Critical Dates and Timelines**

Over and above the different management processes that KHM will be using to implement its Performance Management Framework, it will also comply with critical dates and timelines that will cause the management of performance to align with corporate governance principles and enable other stakeholders to perform their respective roles and responsibilities efficiently and effectively. These critical dates and timelines are listed in TABLE 4.
### TABLE 4: CRITICAL PERFORMANCE MANAGEMENT TIMELINES

#### 4.2 KEY STEPS IN PERFORMANCE MANAGEMENT

The key steps in implementing the performance cycle are as follows:

1. **IDP consultation and strategic processes to determine**
   - a) Strategic Objectives aligned with the National Agenda and local needs;
   - b) Establish the Municipal KPAs; and
   - c) Design Strategic Focus Areas: Priorities from consultation;

2. Prioritise capital projects for budgeting purposes aligned with municipal strategy and approved methodology;

3. Identify key programmes for implementation as part of directorate deliverables;

4. Start with budget processes;

5. Determine organisational KPIs in terms of strategy, budget and MTAS;

6. Obtain baseline figures and past year performance;

7. Set multi-year performance target dates;

8. Determine steps/plans to achieve budget and KPIs;

9. Assign strategic focused KPIs to Senior Management (Top Layer SDBIP);

10. Assign organisational KPIs to directorates and members of management (Departmental SDBIP);

11. Prepare individual performance agreements aligned with budget and SDBIP (Section 57 and management);
12 Prepare performance plans for staff and align work place skills plan with development plans;
13 Provide monthly/quarterly status reports on progress with KPI implementation
14 Evaluate performance on individual (1/2 yearly) and organisational levels (quarterly);
15 Compilation of various performance reports;
16 Auditing of performance report and portfolio of evidence (POEs);
17 Appoint oversight committee to analyse and prepare report on improvement of performance; and
18 Submit year-end report to various stakeholders.

5 THE PERFORMANCE MANAGEMENT MODEL

The following section will explain the methodology of the adopted performance management model as depicted in the diagram below:

Figure 2: Performance Management Model
6 THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The IDP process and the performance management process must be seamlessly integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation, management, monitoring and evaluation of the IDP.

The organisational performance will be evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the SDBIP at directorate and departmental levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business processes of the municipality will be implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and budget.

The MFMA Circular No.13 prescribes that:
- The IDP and budget must be aligned;
- The budget must address the strategic priorities;
- The SDBIP should indicate what the municipality is going to do during next 12 months;
- The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes.

The SDBIP needs to be prepared as described in the paragraphs below and submitted to the Mayor within 14 days after the budget has been approved. The Mayor needs to approve the SDBIP within 28 days after the budget has been approved.

For each indicator the scorecard will require that a responsible official be designated, usually the respective line manager. While this official will not necessarily be accountable for performance on this indicator, they will be responsible for conducting measurements of that indicator, analysing and reporting first to their respective superior who in turn will report to the Municipal Manager and the Mayor on these for reviews.

The municipal performance must be measured monthly and analysed at least quarterly. Municipal performance will be measured during the mid-year review where after the performance scorecard can be adjusted and action plans be developed to address poor performance. The information of the annual review will be included in the Annual Report of the Municipality.

6.1 THE MUNICIPAL SCORECARD

The municipal scorecard (Top Layer SDBIP) must consolidate service delivery targets set by Council / senior management and provide an overall picture of performance for the municipality as a whole, reflecting financial and non-financial performance on its strategic priorities.
The Components of the top-layer SDBIP includes:

a) Monthly projections of revenue to be collected for each source;

b) Expected revenue to be collected;

c) Monthly projections of expenditure (operating and capital) and revenue for each vote;

d) Section 71 format (Monthly budget statements);

e) Quarterly projections of service delivery targets and performance indicators for each vote;

f) Non-financial measurable performance objectives in the form of targets and indicators;

g) Output NOT input / internal management objectives;

h) Level and standard of service being provided to the community;

i) Ward information for expenditure and service delivery;

j) Detailed capital project plan broken down by ward over three years.

The following diagram illustrates the establishment, components and review of the municipal scorecard (Top Layer SDBIP):

Figure 3: Establishment, components and review of the municipal scorecard
6.2 UPDATE ACTUAL PERFORMANCE

The TL SDBIP will update automatically with the actual results reported in the departmental SDBIP.

The KPI owners should report on the results of the KPI by properly documenting the information in the performance response fields and make reference to where the POE can be found. In the instance of poor performance, corrective measures should be identified and documented. The POE should proof that the KPI was delivered and that the expected outcome / impact has been achieved.

The actual performance should be monitored quarterly in terms of the objectives, KPIs and targets set. In order to measure the outcomes of the KPIs, the outputs and performance evidence (POEs) should be evaluated and documented.

It is important to note that the municipal manager needs to implement the necessary systems and processes to provide the POEs for reporting and auditing purposes.

6.2.1 QUARTERLY REVIEWS

On a quarterly basis, the Mayor should engage in an intensive review of municipal performance against both the directorate’s scorecards and the municipal scorecard, as reported by the Municipal Manager. These reviews will take place in October (for the period July to end of September), January (for the period October to the end of December), April (for the period January to the end of March) and July (for the period April to the end of June).

The review in January will coincide with the mid-year performance assessment as per section 72 of the Municipal Finance Management Act. Section 72 determines that by 25 January of each year the accounting officer must assess the performance of the municipality and report to the Council on inter alia its service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan.

Many of the indicators in the municipal scorecard will only be measurable on an annual basis. The quarterly reviews should thus culminate in a comprehensive annual review of performance in terms of all the scorecards.

The Mayor will need to ensure that targets committed to in the municipal scorecard are being met, where they are not, that satisfactory and sufficient reasons are provided and that the corrective action being proposed is sufficient to address the poor performance.

The review should also focus on reviewing the systematic compliance to the performance management system, by directorates, departments, Portfolio Councillors and the Municipal Manager. The review will also include:

- An evaluation of the validity and suitability of the Key Performance Indicators and recommending must any changes;
- An evaluation of the annual and 5 year targets to determine whether the targets are over stated or understated. These changes need to be considered;
- Changes to KPIs and 5 year targets for submission to council for approval. (The reason for this is that the original KPIs and 5 year targets would have been published with the IDP, which would have been approved and adopted by council at the beginning of the financial year.)
- An analysis to determine whether the Municipality is performing adequately.
It is important that the Mayor not only pay attention to poor performance but also to good performance. It is expected that the Mayor will acknowledge good performance, where directorates or departments have successfully met targets in their directorate / departmental scorecards.

6.2.2 COUNCIL REVIEWS

At least annually, the Mayor will be required to report to the full council on the overall municipal performance. It is proposed that this reporting take place using the municipal scorecard in an annual performance report format as per the Municipal Systems Act. The said annual performance report will form part of the Municipality’s Annual Report as per section 121 of the Municipal Finance Management Act.

6.2.3 PUBLIC REVIEWS

The MSA as well as the MFMA requires the public to be given the opportunity to review municipal performance. Section 127 of the MFMA requires that the accounting officer (Municipal Manager) must immediately after the Annual Report is submitted to Council make the report public and invite the local community to submit representations with regards to the Annual Report.
### 6.3 ROLES AND RESPONSIBILITIES

The roles and responsibilities during the TL SDBIP process can be summarised as follows:

**Table 2: Responsibilities during the TL SDBIP process**

<table>
<thead>
<tr>
<th>Role Player</th>
<th>Roles and Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor</td>
<td>Mayor is responsible for the performance and need to approve the TL SDBIP. Quarterly review of performance and monitor implementation of corrective action. Submit the mid-year and annual performance reports to Council.</td>
</tr>
<tr>
<td>Council</td>
<td>Support to the Mayor. Provide strategic awareness and manage the development of the TL SDBIP.</td>
</tr>
<tr>
<td>Portfolio Councilor</td>
<td>Monitor the implementation of the strategy. Review and monitor the implementation of the TL SDBIP at Portfolio Committee level.</td>
</tr>
<tr>
<td>MPAC</td>
<td>Oversight role to ensure that performance management processes are monitored.</td>
</tr>
<tr>
<td>Municipal Manager</td>
<td>Drafting of the TL SDBIP. Ensure the implementation of the TL SDBIP. Monitor the TL SDBIP and ensure that PoEs proof performance exists. Take corrective action where required. Communicate with the Mayor and Management Team.</td>
</tr>
<tr>
<td>Senior Management Team</td>
<td>Manage and report on departmental performance to be cascaded up to the TL SDBIP. Plan Performance. Integration role and ensure POEs exists to proof performance.</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Internal audit should quarterly audit the results reported and issue a report to the municipal manager / performance audit committee.</td>
</tr>
<tr>
<td>Auditor-General</td>
<td>Auditing of legal compliance and outcomes.</td>
</tr>
<tr>
<td>Performance Audit Committee</td>
<td>Independent oversight on municipal performance and legal compliance.</td>
</tr>
</tbody>
</table>
6.4 DEPARTMENTAL SCORECARDS

The directorate and departmental scorecards (detailed SDBIP) will capture the performance of each defined directorate or department. Unlike the municipal scorecard, which reflects on the strategic priorities of the municipality, the SDBIP will provide detail of each outcome for which top management are responsible for, in other words a comprehensive picture of the performance of that directorate/sub-directorate.

It will be compiled by senior managers for his/her directorate and will consist of objectives, indicators and targets derived from the Municipality’s annual service delivery and budget implementation plan and any annual business or services plan compiled for each directorate or department.

The following diagram illustrates the establishment, components and review of the departmental SDBIP:

Figure 4: Establishment, components and review of the departmental SDBIP

6.5 PREPARING THE DEPARTMENTAL SDBIP

KPIs should be developed for Council, the office of the Municipal Manager and for each Directorate. The KPIs should:
- Address the TL KPIs by means of KPIs for the relevant section responsible for the KPI.
- Add KPIs to address the key departmental activities.
- Each KPI should have clear targets and should be assigned to the person responsible for the KPI. KPIs should be SMART.
The number KPIs developed to address National KPAs, Municipal Strategic Focus Areas (SFAs)(Priorities) and strategic objectives should be spread amongst the aforementioned in terms of National and Local Agendas.

6.6 APPROVAL OF DEPARTMENTAL SDBIP

The Departmental SDBIP of each Directorate should be submitted to the Municipal Manager for approval by 31 August each year.

6.7 UPDATE ACTUAL PERFORMANCE

An evaluation of the validity and sustainability of the KPIs should be done and the actual performance results of each target should be updated and evaluated on a monthly basis. In order to measure the input/output of the KPIs, the performance results and performance evidence (POEs) should be evaluated and documented. The KPI owners should report on the results of the KPI by documenting the following information on the performance system:

- The actual result in terms of the target set;
- The output/outcome of achieving the KPI;
- The calculation of the actual performance reported. (If %);
- The reasons if the target was not achieved; and
- Actions to improve the performance against the target set, if the target was not achieved.

The municipal manager and his/her senior management team needs to implement the necessary systems and processes to provide the POEs for reporting and auditing.

6.7.1 MONTHLY REVIEWS

The Directorates will update their performance monthly in terms of the SDBIP and report to the Municipal Manager. It is important that Directorates use these reviews as an opportunity for reflection on their goals and programmes and whether these are being achieved. The Portfolio Committee should have a standing agenda item to discuss at their monthly meetings. The SDBIP report submitted should be used to analyse and discuss performance.

6.7.2 ADJUSTMENTS TO KPIs

KPIs should only be adjusted after the mid-year assessment and/or after the adjustments budget has been approved. KPIs should be adjusted to be aligned with the adjustment estimate and the reason for the change in KPIs should be documented in a report to the Mayor for approval.

Additional KPIs can be added during the year with the approval of the municipal manager. The approval documents should be safeguarded for audit purposes.
6.7.3 ROLES AND RESPONSIBILITIES

The roles and responsibilities during the Departmental SDBIP process can be summarised as follows:

<table>
<thead>
<tr>
<th>Role Player</th>
<th>Roles and Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor</td>
<td>Responsible for the KPIs assigned to him/her and his/her committee. The mayor should update performance results monthly.</td>
</tr>
<tr>
<td>Council</td>
<td>Review the feedback received from Portfolio Councillors/ respective senior manager and monitor overall performance. Support the Mayor.</td>
</tr>
<tr>
<td>Portfolio Councillor</td>
<td>Support the senior manager to implement the municipal strategy. Review and monitor progress at portfolio level. Report to the Mayoral Committee on performance review and progress. Assist senior management to take corrective action to improve performance.</td>
</tr>
<tr>
<td>Municipal Manager</td>
<td>Approval of the Departmental SDBIP by 31 August. Monitor SDBIP and ensure that POE’s exist. Review and monitor the implementation on the SDBIP. Ensure that KPIs address the municipal strategy and service delivery requirements. Ensure alignment with the IDP objectives/programmes and budgets. Take corrective actions where required. Communicate with the senior management team on performance progress and reporting. Ensure quarterly internal audit and take necessary action where required. Communicate results to the Portfolio Committee and Mayoral Committee.</td>
</tr>
<tr>
<td>All Managers</td>
<td>Design KPIs to address the TL SDBIP, operational needs, service delivery improvement and other key departmental activities. Plan performance and set targets. Assign KPIs to KPI owners. Ensure the implementation of the SDBIP. Monitor performance and document POEs. Take corrective action where required. Communicate performance results to the municipal manager and Portfolio Committee.</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>Internal audit should quarterly audit the results reported and issue a report to the municipal manager / performance audit committee.</td>
</tr>
<tr>
<td>Auditor-General</td>
<td>Auditing of legal compliance and outcomes.</td>
</tr>
<tr>
<td>Performance Audit Committee</td>
<td>Independent oversight on municipal performance and legal compliance.</td>
</tr>
</tbody>
</table>
6.8 INDIVIDUAL PERFORMANCE

The performance of a municipality is integrally linked to that of staff. It is therefore important to link organisational performance to individual performance and to manage both at the same time, in separate processes.

Although legislation requires that the municipal manager, and managers directly accountable to the municipal manager, sign formal performance contracts, it is also a requirement that all employees have performance plans. These should be aligned with the individual performance plan of the head of the directorate and job descriptions. It is however the responsibility of the employer, to create an environment, which the employees can deliver the objectives and the targets set for them in their performance plans and job descriptions.

Performance contracts should be concluded with the Municipal Manager, Directors, Senior Managers and Managers. The rest of the performance contracts with the rest of the staff will be implemented with a phased in approach.

The following diagram illustrates the individual performance management processes:

Figure 5: The individual performance management processes

The Benefits of Individual Performance are to:
- Ensure alignment of individual goals and objectives with that of the organisation and to co-ordinate efforts in order to achieve those goals;
- Understand what is expected from the incumbents, by when it is expected and to what standard is expected;
- Understand the incumbent’s key areas of accountability;
- Determine whether or not performance objectives are being met;
- Make qualified decisions within the incumbents level of competencies; and
- Avail the incumbents of learning and development opportunities to competently meet their performance targets.
6.9 INDIVIDUAL SCORECARDS (MUNICIPAL MANAGER AND SECTION 56 MANAGERS)

The MSA and Regulation 805 of August 2006 (Performance of the Municipal Manager and the Managers reporting directly to the Municipal Manager) require the Municipal Manager and the Managers reporting directly to the Municipal Manager to enter into annual Performance Agreements. The Performance Agreements of the Municipal Manager and other MSA Section 56/57 Managers should be directly linked to their employment contract. Performance will be reviewed quarterly of which the mid-year and year-end performance will be formal evaluations.

These Performance Agreements consist of three distinct parts:

- **Performance Agreement**: This is an agreement between the MSA Section 56/57 Manager and the Municipality, which regulates the performance required for a particular position and the consequences of the performance. The Agreement deals with only one aspect of the employment relationship, namely performance. This agreement must be reviewed and renewed annually, subject to the individual’s annual performance. This agreement can be altered during the course of the financial year with the written consent from both the employer and employee. The performance agreement is guided by any change in the organisational structure. A performance bonus may be paid as agreed in the performance agreement.

- **Performance Plan**: The Performance Plan is an Annexure to the Performance Agreement and stipulates in detail the performance requirements for a single financial year. The SDBIP transcends into the Performance Plan/s of the respective Section 56/57 Managers according to their areas of responsibility.

- **Personal Development Plan**: The plan is an Annexure to the Performance Agreement and addresses the developmental needs/requirements of the manager indicating actions and timeframes.

The list of Core Managerial Criteria are tabled as follows:

**Table 4: List of Core Managerial Criteria**

<table>
<thead>
<tr>
<th>Skills</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic and direction leadership</td>
<td>Provide and direct a vision for the institution, and inspire and deploy others to deliver on the strategic institutional mandate</td>
</tr>
<tr>
<td>Programme and project management</td>
<td>Able to understand programme and project management methodology; plan, manage, monitor and evaluate specific activities in order to deliver on set objectives.</td>
</tr>
<tr>
<td>Financial Management</td>
<td>Able to compile, plan and manage budgets, control cash flow, institute financial risk management and administer procurement processes in accordance with recognised financial practices, further to ensure that all financial transactions are managed in an ethical manner.</td>
</tr>
<tr>
<td>Change Leadership</td>
<td>Able to direct and initiate institutional transformation on all levels in order to successfully drive and implement new initiatives and deliver professional and quality services to the community.</td>
</tr>
<tr>
<td>Knowledge and information management</td>
<td>Able to promote the generation and sharing of knowledge and information through various processes and media, in order to enhance the collective knowledge base of local government.</td>
</tr>
<tr>
<td>Analysis and Innovation</td>
<td>Able to critically analyse information, challenges and trends to establish and implement fact-based initiatives that are innovative and improve institutional processes in order to achieve key strategic objectives.</td>
</tr>
<tr>
<td>People management</td>
<td>Must be able to manage and encourage people, optimise their outputs and effectively manage relationships in order to achieve the municipality’s goals.</td>
</tr>
<tr>
<td>Communication</td>
<td>Able to share information, knowledge and ideas in a clear, focused and concise manner appropriate for the audience in order to effectively convey, persuade and influence stakeholders to achieve the desired outcome.</td>
</tr>
</tbody>
</table>
The agreements must be finalised by August every year and be agreed and approved by the respective senior manager. The process on how to prepare performance plans is documented in the Performance Management System Manual.

6.10 INDIVIDUAL SCORECARDS (REST OF STAFF)

The introduction of individual performance is applicable to employees with the title Manager, Senior Manager and any other senior staff member as identified by the relevant Manager, Senior Manager, Director and or Municipal Manager.

Performance plans should also be concluded with senior staff members appointed on a temporary basis for minimum period of six months and more.

The data obtained from Directorate scorecards (detailed SDBIP), will provide the user with the respective individual performance plans for managers reporting to the S57 managers.

Performance Plans are agreed with each employee as part of his/her career development plan and should include the following:

- Qualifications – a record of formal and informal training and experience;
- Job functions – key focus areas for the year;
- Career goals - long term and intermediate career goals;
- Key performance indicators linked to the SDBIP – KPIs in the SDBIP that are the responsibility of the respective manager and KPIs aligned to the job description of the manager.
- Managerial KPIs – the core managerial competencies that the manager will be evaluated on.
- A list of the core managerial competencies (CMCs) is provided for the evaluation of managerial skills.
- Weightings show the relative importance of input or output against another input or output. Every input or output in the performance agreement must be assigned to a weighting. The weightings / ratings and the distribution of the ratings per level need to be determined by the management team in the beginning of each financial year and agreed with the employer or group of employers. (employee or group of employees)
- Development needs and learning plan.

6.11 Skills Development Plan

The skills development plan needs to be compiled / updated with the information obtained from the performance agreements and the development plans. The human resources manager together with the respective line manager is responsible to facilitate the implementation of the skills development plan.
6.12 Informal and Formal performance reviews

Monthly monitoring of the departmental SDBIP takes place and performance is discussed with relevant staff as and when required.

Although performance should be managed on a daily basis, performance reviews should be done by the respective supervisor quarterly of which (at least one) two is formal and two informal. The objective review should be based on actual performance and performance evidence. The responsibility to maintain and present a portfolio of evidence file at the performance assessment is with the subordinate. The supervisor and employee needs to prepare for the review and discuss the performance during a focused performance meeting. The review should be documented on the performance system as set out in the Performance Management System Manual. Feedback should be provided during the review on the employee’s ability to render the allocated tasks including measures to improve on set targets.

The Mid-year performance evaluations should be completed by end February for the period July to December and August for the period January to June.

Please note that performance and growth is the responsibility of each individual employee and employees should ensure that his / her performance plan is executed. Performance measurement is an ongoing process and should not only be addressed during the formal reviewing sessions.

Performance should be moderated per department per task level / group level after the performance evaluation of all staff has been finalised. The moderation should be conducted in terms of the Performance Management Manual to ensure objectivity and fairness.

UNACCEPTABLE PERFORMANCE NEEDS to be addressed and action plans to improve the performance must be prepared and agreed with the employee who did not perform. The performance against the action plans must be reviewed on a monthly basis.
6.13 SERVICE PROVIDERS

A municipal service can be provided by the Municipality by entering into a Service Delivery Agreement in terms of Section 76(b) of the Municipal System Act with an external service provider. The Municipality is responsible for monitoring and assessing the implementation of the agreement, including the performance of the service provider in accordance with section 41 of the Municipal Systems Act.

During 2018/2019 and 2019/2020 a separate policy for the use and appointment of consultants and service providers were used. However, after consultation with Directors and staff the evaluation and monitoring was found to be problematic and a more smooth running platform needed to be developed. Thus it was recommended to be included in this policy.

This section sets out the guidelines on the monitoring and reporting on the performance of service providers in terms of Chapter 8 of the Municipal Systems Act and Section 116 of the Municipal Finance Management Act.

External Service providers will be evaluated on the following criteria by the service departments on a monthly basis:

Table 5: Criteria to be used in evaluating external service providers

<table>
<thead>
<tr>
<th>Performance rating</th>
<th>Objective Measures to Assess Service Provider Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>- Quality of Service delivery as agreed; Deviations are managed as mutually agreed; - Compliance to most undertakings, duties and obligations and requirements as set out in the Main Agreement and Annexures; - Progress with all projects and new service requests are on target; - All Service failure events during month resolved within agreed time frames and preventative measures are proposed by Service Provider.</td>
</tr>
<tr>
<td>2</td>
<td>- Quality of Service delivery not in full compliance with Agreement; Requires more management and focus from Service Provider; - Progress with projects and new service requests are on not on target; - Service failure events are not resolved in agreed time frames and preventative measures for implementation are not proposed by Service Provider.</td>
</tr>
<tr>
<td>1</td>
<td>- Quality of Service delivery totally unacceptable; Consider termination of Agreement and all Services. - Non-compliances, progress with projects and new service requests and service failure events worse than for rating 2; - Commitment from Service Provider to resolve outstanding issues is lacking; - Skills and resources to deliver a quality service are inadequate; - Participation in contract governance, service management and effective communication is lacking or inadequate.</td>
</tr>
</tbody>
</table>

Quarterly reporting will be done for all Service Providers necessary and reports submitted will serve as evidence for the evaluation.

6.13.1 NOTIFICATION OF SERVICE PROVIDERS UPON APPOINTMENT

All service providers must be informed of:

- The assessment and reporting of the service provider’s performance;
- setting of performance criteria in terms of the tender, the required deliverables and service level agreement;
- the exchange of information on service provider performance reports between government units/departments.

6.13.2 EVALUATING THE PERFORMANCE OF SERVICE PROVIDERS

Thresholds (size and types of service provider contracts in line that need to comply with the requirements of the SCM policy should be allowed to. The thresholds that need to be reviewed include:

Contracts larger than R200 000; and Contracts where the service providers is required to deliver a service (not goods and products).
Contracts must be signed by service providers and sign a service level agreement indicating:
- The services to be delivered;
- the timeframes and
- the evaluation methodology.

The service provider’s performance must be assessed in the context of the project as a whole. The respective roles and obligations of the Municipality and service provider under the contract must be taken into account.

Persons preparing or reviewing the performance of a service provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are:
- Outside the service provider’s control; or
- The result of some action by the Municipality.

The service provider’s performance must therefore be evaluated against set performance criteria, after taking into account matters beyond the service provider’s control.

**6.13.3 PRESCRIBED PROCEDURES TO EVALUATE SERVICE PROVIDERS**

The following procedures need to be followed:
- The requirements of this policy must be included in the contract of the service provider.
- The performance of the service providers under the contract or service level agreement contracts to be included in a clause must be assessed **monthly by the Reporting Officer**.
- The assessment must be filed in the contract file or captured onto the database
- The Reporting Officer must complete the Service Provider Assessment Form on the FILE at the end of each month and on completion or termination of the contract.
- The quarterly assessment must be completed within 15 working days after the end of each quarter.
- The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period and on completion or termination of the contract.
- Administration Unit will review the quarterly Service Provider assessments within 20 days after the end of each quarter and submit a summary report to Council.
- The Accounting Officer need to develop the necessary forms and report structures to be utilised to manage the above processes. The forms and reporting requirements need to be reviewed on a regular basis.
- In the instance of under-performance:
  - The Municipality will facilitate support interventions to service providers in the identified areas of underperformance.
  - Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
  - The impact of support interventions must be monitored by the Reporting Officer.
  - The records of the support interventions must be documented, signed by both parties and appropriately filed.
6.14 EVALUATION AND IMPROVEMENT OF THE PERFORMANCE MANAGEMENT SYSTEM

The Municipal Systems Act requires the municipality to annually evaluate its performance management system. It is proposed that after the full cycle of the annual review is complete; the Municipal Manager will initiate an evaluation report annually, taking into account the input provided by directorates and departments. This report will then be discussed by the Management Team and finally submitted to the Council for discussion and approval. The evaluation should assess:

- The adherence of the performance management system to the Municipal Systems Act.
- The fulfilment of the objectives for a performance management system.
- The adherence of the performance management system to the objectives and principles.
- Opportunities for improvement and a proposed action plan.

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

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

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

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

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

The governance structure was established to offer credibility to the overall performance processes. The audit of performance information and system should comply with section 166 of the Municipal Finance Management Act and Regulation 14 of the Municipal Planning and Performance Management Regulations (2001).

7.1 Governance Framework for the Performance Management system

The performance management system is web-based and used for administering the SDBIP which is available on the internet on a 24 hour/7 days a week/356 days a year interval. The maintenance are done on a weekly basis from 14:00 – 18:00 on a Sunday.

7.1.1 Continuous quality control and co-ordination

Directorates are required to co-ordinate and ensure good quality of performance reporting and reviews on an ongoing basis. It is their role to ensure conformity to reporting formats and verify the reliability of reported information, where possible.

The Municipal Manager must review overall performance monthly while the Senior Manager: Governance should support him/her in verifying the performance data and prepare the performance reports.

In order for Performance Management to remain effective, it must at all times:

- Compliment the way of working and aligning systems within Karoo Hoogland Municipality;
- Constantly change and adapt to the environment in which it operates;
- Constantly evaluate the PMS and ensure it remains as effective and valuable as it should be.
- Provide continuous training to ensure a consistent approach across the organization.

7.2 Performance investigations

The Council or Performance Audit Committee should be able to commission in-depth performance investigations where there is either continued poor performance, a lack of reliability in the information being provided or on a random ad-hoc basis.

Performance investigations should assess:

- The reliability of reported information
- The extent of performance gaps from targets
- The reasons for performance gaps
- Corrective action and improvement strategies

While the internal audit function may be used to conduct these investigations, it is preferable that external service providers, who are experts in the area to be audited, should be used. Clear terms of reference will need to be adopted by the Executive Mayor for such investigation.
7.3 Internal Audit

Section 165 of the MFMA requires that each municipality must have an internal audit unit however such function may be outsourced.

The municipality's internal audit function will need to be continuously involved in auditing the performance reports based on the organisational and directorate/departmental scorecards. As required by Regulation, they will be required to produce an audit report on a quarterly basis, to be submitted to the Municipal Manager and Performance Audit Committee.

The audit should include an assessment of the:

- functionality of the municipality’s performance management system;
- adherence of the system to the Municipal Systems Act; and
- the extent to which performance measurements are reliable.

7.4 Performance Audit Committee

The MFMA and the Municipal Planning and Performance Management Regulations require that the municipal council establish an audit committee consisting of a minimum of three members, where the majority of members are not employees of the municipality. No Councillor may be a member of an audit committee. Council shall also appoint a chairperson who is not an employee.

The Regulations give municipalities the option to establish a separate performance audit committee whereas the MFMA provides only for a single audit committee. The operation of this audit committee is governed by section 14 (2-3) of the regulations.

According to the regulations, the performance audit committee must:

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

It is further proposed that the audit committee be tasked with assessing the reliability of information reported.

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

- communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned;
- access any municipal records containing information that is needed to perform its duties or exercise its powers;
- request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and
- Investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.
8 PERFORMANCE REPORTING

Performance must be reported in terms of the MSA, MFMA and the regulations and circulars issued in terms of the aforementioned legislation. These reports include the reports listed below.

8.1 QUARTERLY REPORTS

Quarterly reporting of departmental KPIs that is linked to Top Layer KPIs is due on the 12th day after the end of the quarter, irrespective if the due date falls on a weekend. Directors (secondary users) will have the opportunity to review the updates of the relevant directorate between the 8th and 10th day after the end of the quarter. Supporting proof of evidence should be uploaded to the system to substantiate performance against the key performance indicator.

Reports on the performance of the TL SDBIP should be generated from the system and submitted to Council. This report should also be published on the municipal website.

Actuals are to be updated in relation to the unit of measurement as follows:

**Table 6: unit of measurement**

<table>
<thead>
<tr>
<th>Units</th>
<th>If the Unit of measurement is in</th>
<th>The Actual must also be in # unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number [#]</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>Percentage [%]</td>
<td>Percentage</td>
<td>Percentage</td>
</tr>
<tr>
<td>Rand [R]</td>
<td>Rand</td>
<td>Rand</td>
</tr>
</tbody>
</table>

8.2 MID-YEAR ASSESSMENT

The performance of the first 6 months of the financial year should be assessed and reported on in terms of section 72 of the MFMA. This assessment must include the measurement of performance, the identification of corrective actions and recommendations for the adjustments of KPIs, if necessary. Supporting proof of evidence should be uploaded to the system to substantiate performance against the key performance indicator.

The format of the report must comply with the section 72 requirements. This report must be submitted to Council on or before 31 January of each year.

8.3 ANNUAL PERFORMANCE REPORT

The annual performance report must be completed by the end of August and submitted with the financial statements. This report must be based on the performance reported in the SDBIP supported by the relevant proof of evidence. Reports should be generated from the system, reviewed and updated in the performance comments field for reporting purposes.

8.4 ANNUAL REPORT

The annual report should be prepared and submitted as per MFMA Circular 11. The update of the Annual report commences on the 1st of July annually whereby service departments are required to submit narratives that address the highlights, challenges experienced during the previous financial year.

**Submission of the First Draft Annual Report to Council:** Within 7 months after the end of the financial year.
Section 121(1) states that every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control in accordance with section 129.

**Submission of the Final Annual Report to Council: Within 9 months after the end of the financial year.**

Section 129. (I) of the Municipal Finance Management Act (MFMA), (Act No 56 of 2003) states that “The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council’s comments on the annual report, which must include a statement whether the council-

(a) has approved the annual report with or without reservations;
(b) has rejected the annual report; or
(c) has referred the annual report back for revision of those components that can be revised.”

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### 9 LEGISLATIVE REPORTING REQUIREMENTS

The legislative requirements regarding reporting processes are summarised in the following table:

**Table 7: legislative requirements regarding reporting processes**

<table>
<thead>
<tr>
<th>Time frame</th>
<th>MSA/ MFMA Reporting on PMS</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly reporting</td>
<td>The municipal manager collects the information and drafts the organizational performance report, which is submitted to Internal Audit. The Internal Auditors (IA) must submit quarterly audited reports to the Municipal Manager and to the Performance Audit Committee. The Municipal Manager submits the reports to the Council.</td>
<td>MSA Regulation 14(1)(c)</td>
</tr>
<tr>
<td>Bi-annual reporting</td>
<td>The Performance Audit Committee must review the PMS and make recommendations to council. The Performance Audit Committee must submit a report at least twice during the year a report to Council. The Municipality must report to Council at least twice a year. The Accounting officer must by 25 January of each year assess the performance of the municipality and submit a report to the Mayor, National Treasury and the relevant Provincial Treasury.</td>
<td>MSA Regulation 14(4)(a) MSA Regulation 13(2)(c) MFMA 572</td>
</tr>
<tr>
<td>Time frame</td>
<td>MSA / MFMA Reporting on PMS</td>
<td>Section</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>council’s comments on the annual report</td>
<td></td>
<td>MPMA S130 (1)</td>
</tr>
<tr>
<td>The meetings of a municipal council at which an annual report is to be discussed or at which decisions concerning an annual report are to be taken, must be open to the public and any organ of the state</td>
<td></td>
<td>MPMA S134</td>
</tr>
<tr>
<td>The Cabinet member responsible for local government must annually report to Parliament on actions taken by the MECs for local government to address issues raised by the Auditor-General</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(1) A contract or agreement procured through the supply chain management system of a municipality or municipal entity must-
(a) be in writing;
(b) stipulate the terms and conditions of the contract or agreement, which must include provisions providing for-
(i) the termination of the contract or agreement in the case of non- or underperformance;
(ii) dispute resolution mechanisms to settle disputes between the parties;
(iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
(iv) any other matters that may be prescribed.
(2) The accounting officer of a municipality or municipal entity must-
(a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;
(b) monitor on a monthly basis the performance of the contractor under the contract or agreement;
(c) establish capacity in the administration of the municipality or municipal entity-
(i) to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b); and
(ii) to oversee the day-to-day management of the contract or agreement;
and
(d) regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.
(3) A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after-
(a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
(b) the local community-
(i) has been given reasonable notice of the intention to amend the contract or agreement; and
(ii) has been invited to submit representations to the municipality or municipal entity.
10 DESIGN OF KEY PERFORMANCE INDICATORS AND TARGETS

10.1 Setting Indicators

In setting indicators it is important that one understands the key performance concepts and the relationship between the core performance information concepts illustrated below.

The following aspects must also be considered:

- The key priorities and objectives of the Municipality set in the IDP, which have been determined during the public participation process at ward committees.
- The scope of sector plans to be evaluated to reach the key priorities and objectives of the Municipality during the next financial year.
- The activities and processes identified in the IDP for achieving the developmental objectives as well as the earmarked resources.
- Baseline and performance standard information for each indicator.
- The risks identified during the risk review of the municipality that needs to be addressed with specific actions.
- The indicators listed in the Municipal Turnaround Strategy (MTAS).
- Compliance and reporting requirements in terms of legislation.
- Core departmental activities that need to be measured to improve municipal effectiveness and efficiency.
- The alignment of departmental activities and capital projects identified in the IDP with the budget.
- Whether measurement tools (system and data) to measure the performance of the indicators are available or can be developed.
- In the event that measurement tools do not exist, then it is advisable that a KPI be set which would measure the design and implementation of such a system. Once the measurement tool has been implemented, then the KPI measuring the output from the tool can then be included in the scorecard.
- The cost involved in setting up measurement tools needs to be considered.
The time frame for the implementation of measurement tools is also important.

- It is important that the responsibility for the KPI needs to be allocated to the appropriate person who will be required to measure the output/outcome on the KPIs.
- The timeframes for measuring and reporting actual performance against target set.
- The following steps should be followed to develop a performance indicator:
  - Identify the strategic objectives defined in the IDP and the key activities in the department that need to be measured.
  - Agree on what you are aiming to achieve by considering the end result (outcome / impact) of each strategic objective and define the critical processes to achieve each of the strategic objectives.
  - Specify the outputs, activities and inputs in order to achieve the outcomes and impacts.
  - In the instance where performance indicators for individuals needs to be developed you also need to consider key job requirements (job description).
  - For each activity, confirm that it will assist in achieving the objectives and determine what the proof of evidence will be that the activity has been delivered.
  - Determine what resources you will require to be able to deliver the activity and confirm availability for such resources, e.g. you cannot establish a play park without the necessary financial resources.
  - Determine the timeframes by when the activities need to be achieved.
  - Decide which department and individual will take responsibility for the activities.
  - Draft the KPI by explaining what will be done, how it will be done and what will be achieved.
  - Link it to timeframes indicating by when the activity should be delivered as well as to the National KPAs, National Outcomes and the objective to be achieved.
  - Formulate how the activity will be measured and what the proof will be that the activity has been delivered (how will the activity be measured).
  - Add the baseline for the indicator (the level where we are before we start with the work).
  - Determine and add the performance standard for the target (minimum or ideal level of performance).
  - Allocate responsibility for delivering the activity to a department and individual (who will be responsible for delivery and reporting on the target).
  - Set the targets to be achieved per month / quarter in order to deliver the indicator (targets should as far as possible comply with the SMART principle).
  - Agree the finally formulated indicator with the respective department / manager / staff member.
10.2 PERFORMANCE PROCESS MAPS

The following process maps summarise the key operational and individual performance processes. These process maps should be read with the sections dealing with these performance processes.
10.3 ROLE AND RESPONSIBILITIES OF STAKEHOLDERS

The following table sets out a summary of the roles and responsibilities of the various stakeholders in the PMS within each of the management components:

**Table 8: Role and Responsibilities of Stakeholders**

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Involvement</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Mayor</strong></td>
<td>• Facilitate the development of a long term Vision regarding IDP and PMS.</td>
<td>Optimum and equitable service delivery.</td>
</tr>
<tr>
<td></td>
<td>• Mayor is responsible for the performance and need to approve the SDBP and submit the annual performance report to Council.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Approval of municipal manager performance plan and evaluate and report on municipal performance.</td>
<td></td>
</tr>
<tr>
<td><strong>Mayoral Committee</strong></td>
<td>Support to the Executive Mayor. Provide strategic awareness and manage the development of the IDP and PMS.</td>
<td>Promotes public awareness and satisfaction.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Involvement</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Portfolio Councillor</strong></td>
<td>• Monitor the implementation of the strategy.</td>
<td>Facilitates the process of benchmarking and collaboration with other municipalities.</td>
</tr>
<tr>
<td></td>
<td>• Review and monitor the implementation of the IDP and the PMS.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Evaluate performance of senior management, where applicable.</td>
<td></td>
</tr>
<tr>
<td><strong>Council</strong></td>
<td>• Adopt the PMS policy and approve the IDP.</td>
<td>Provides a mechanism for the implementation and review of PMS and IDP achievement.</td>
</tr>
<tr>
<td></td>
<td>• Approve performance rewards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Oversight role to ensure that performance management processes are monitored.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Involvement</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Municipal Manager</strong></td>
<td>• Ensure the implementation of the IDP and the PMS.</td>
<td>Clarifies goals, targets and work expectations of the executive management team, other senior managers, line managers and individual employees.</td>
</tr>
<tr>
<td></td>
<td>• Communicate with the Executive Mayor and Senior Management Team.</td>
<td></td>
</tr>
<tr>
<td><strong>Senior Management Team</strong></td>
<td>• Manage Departmental and individual performance.</td>
<td>Facilitates the identification of training and development needs at different levels in the municipality.</td>
</tr>
<tr>
<td></td>
<td>• Review and report on performance.</td>
<td></td>
</tr>
<tr>
<td><strong>All Other Managers</strong></td>
<td>• Implement the departmental business / operational plans and monitor the Individual Performance Plans.</td>
<td>Provides an objective basis upon which to reward good performance and correcting under performance.</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Involvement Implementers</td>
<td>Benefits</td>
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<tr>
<td>-------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Individual Employees</td>
<td>• Execute individual performance plans.</td>
<td>Mechanism for early warning indicators to check and ensure compliance.</td>
</tr>
<tr>
<td>Reporting Officer (for service provider evaluations)</td>
<td>• Line Departments. • Monitor and assess work done or service provided as per the service delivery agreement or contract. • Report on the performance of the service</td>
<td>Ensure quality and effective performance of service providers.</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>• Assess the functionality, integrity, effectiveness and legal compliance with the PMS.</td>
<td>• Enhances the credibility of the PMS and the IDP enhances the status and role of Internal Audit.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>INVOLVEMENT</th>
<th>BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative Forums / Ward Committees</td>
<td>• Inform the identification of community priorities. • Public involvement in service delivery of the municipality.</td>
<td>Provide a platform for the public / communities to inform and communicate with Council.</td>
</tr>
<tr>
<td>Auditor-General</td>
<td>Audit legal compliance and performance processes.</td>
<td>Provides warning signals of under-performance which can provide pro-active and timely interventions.</td>
</tr>
<tr>
<td>Performance Audit Committee</td>
<td>Independent oversight on legal compliance.</td>
<td>Provides warning signals of under-performance.</td>
</tr>
<tr>
<td>MPAC/Oversight Committee</td>
<td>Review Annual Report and suggest corrective action to address shortcomings.</td>
<td>Improved performance</td>
</tr>
</tbody>
</table>
11 REPORTING

11.1 Who Reports to Whom?

The reporting process will follow the lines of accountability as detailed in the performance monitoring, measurement and review phases above. Reports will be submitted to all different stakeholders using the institutionalized internal processes of the Municipality through the different political and community stakeholders as required by the Municipal Systems Act, the Municipal Finance Management Act and the Performance Management Regulations. Reports will be submitted to the following stakeholders during the timelines outlined in the Municipality’s performance process plan as shown under the Performance Cycle section:

- KHM reporting to Communities;
- The Municipal Council reporting to Ward Committees;
- The Mayor reporting to the Municipal Council;
- The Municipal Manager reporting to the Mayor;
- Heads of Departments reporting to the Municipal Manager, through the Senior Management Team, and to Portfolio (Section 79) Committees;
- Section Managers reporting to Heads of Departments; and
- Employees reporting to their section managers and supervisors.

11.2 Tracking and Managing the Reporting Process

To ensure that the reporting processes runs smoothly and effectively, the Unit responsible for PMS will co-ordinate all activities related to efficient reporting. The functions of the Unit in this instance include the following:

- Developing a process plan or timetable for all reporting processes for the year;
- Prepare logistics for reporting;
- Improve the reporting format, should there be a necessity to do so;
- Track and monitor reporting processes;
- Control the quality of reports going to reviews at political levels in terms of alignment with the adopted reporting format;
- Analyze departmental performance reports;
- Compile quarterly organizational performance reports and the annual performance report; and
- Review the reporting process and suggest improvements.

11.3 Publication of Performance Reports

The annual report is required by legislation to be availed to the public. The Municipality will, however, within its resources and capacity, keep the communities more frequently informed of performance information through:

- Publication of reports on the municipal website
- Press releases
- Press briefings
- Publication of pamphlets or newsletters
- Local radio programs
- Ward Committee meetings.
11.4 Public Feedback Mechanisms

Public feedback on reported performance will be during IDP review processes, annual customer surveys and through ward committee meetings.

11.5 Auditing Performance and Quality Control

In order for the performance management system to enjoy credibility and legitimacy from the public and other stakeholders, performance reports, particularly the annual performance report, must be audited. Audits should ensure that reported performance information is complete, accurate, valid and reliable.

In terms of the provisions of the Municipal Systems Act and the Performance Regulations of 2001, the annual performance report must be audited internally, and before being tabled and made public, the annual performance report will also be audited by the Auditor-General. It is therefore important to allow sufficient time between completion of annual reports and the tabling of the annual report for auditing.

After being reviewed by the Municipal Council, the annual report must then be submitted to the Auditor-General before 31 August of every year, for auditing and be submitted to the MEC for local government in the province for the MEC to complete an annual report of performance of all municipalities in the province, identifying poor performing municipalities and proposing remedial action and submit the provincial report to the national minister. The national minister will then present a consolidated report to parliament.

11.6 Internal Auditing of Performance Measurements

11.6.1 The Internal Audit Unit of KHM

In terms of Regulation 14 of the Municipal Planning and Performance Management Regulations, 2001, every municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. The functions of the internal audit unit include the assessment of the following:

- the functionality of the municipality’s performance management system;
- whether the municipality’s performance management system complies with the provisions of the Municipal Systems Act; and
- the extent to which the municipality’s performance measurements are reliable in measuring performance of municipalities on its own indicators and the national indicators

The Regulations further provides that the municipality’s internal auditors must:

- on a continuous basis audit the performance measurements of the municipality; and
- submit quarterly reports on their audits to the municipal manager and the performance audit committee.

KHM has established an Internal Audit Unit whose functions are provided for by the Performance Management Regulations as indicated in the above extract. The Internal Audit Unit will be responsible for quality assurance of all performance information submitted for measurement and review. Quality control is the central and key function of the Internal Audit Unit that will ensure achievement of effective and efficient performance by KHM. The Municipal Manager and the Mayor will place reliance on the performance audit assessments
and audit reports to make informed decisions and motivate for any reviews and improvements to the Municipal Council and communities.

11.6.2 The Performance Audit Committee

Regulation 14 of the Municipal Planning and Performance Management Regulations, 2001 stipulates the provisions that guide the establishment of the Performance Audit Committee and outline the functions and powers entrusted to the committee as the following:

- review the quarterly reports submitted to it by the Internal Auditors;
- review the Municipality’s performance management system and in doing so, focus on economy, efficiency, effectiveness and impact in so far as the key performance indicators and performance targets set by the Municipality in its organisational scorecard are concerned;
- make recommendations in this regard to Municipal Council;
- at least twice during a financial year submit an audit report to the Municipal Council;
- communicate directly with the Council, Municipal Manager or the internal and external auditors of the Municipality;
- access any municipal records containing information that is needed to perform its duties or exercise its powers;
- request any relevant person to attend any of its meetings, and if necessary to provide information requested by the committee; and;
- investigate any matter it deems necessary for the performance of its duties and the exercise of its powers.

KHM is in the process of appointing its own Performance Audit Committee. The Municipality will engage in the process of soliciting relevant professionals with an aim of establishing its own Performance Audit Committee to perform the above function as required by legislation. The Municipality will provide an annual budget for the running of this committee and also provide the relevant secretarial capacity for the committee.

12 GENERAL ISSUES RELATING TO PERFORMANCE MANAGEMENT

The following are some general issues related to performance management that need to be taken into consideration in implementing the PMS of the Municipality:

12.1 Training and Development

- Every employee is required to have access to a Personal Development Plan (PDP) which is used throughout the year.
- These plans will form a key part of the skills development planning process.

12.2 Managing poor performance

- Should an employee not be achieving the objectives in his/her performance, the manager must monitor the employee more closely and frequently.
- More frequent action steps/monitoring should be put in place to attempt to curb the low level of performance.
- Employees must be coached and given feedback throughout the year.
- Should performance not approved, then the disciplinary procedure must be followed.
12.3 Early Warning Mechanisms

- The municipality's 1st quarter performance report should be used as early warning mechanisms to assess performance of a department or even the entire municipality, to determine whether the annual performance targets are not likely to be achieved.
- The departments should review mechanisms to improve its performance and indicate to the internal audit and performance audit committee how they intend to achieve better.

12.4 Addressing Poor Performance

The management of poor performance should be seen as a corrective process, focusing on addressing issues that lead to performance related problems.

Counselling must be seen as the first corrective process, which should include the following:

- Identify and agree on the problem.
- Describe the impact of the poor performance.
- Establish reasons for performance
- Decide and agree on what actions are required, and set the necessary timeframes
- Resource the agreed actions

12.5 Amendments/changes/deviations

The aim of performance management is to ensure that what was originally planned is actually achieved. This means that indicators or targets should not be adjusted during the year. However, good project management also enables controlled changes to be made should circumstances change. It is important that there is sufficient motivation for the changes. **It is not permitted to simply adjust targets that have been met or are not expected to be met due to under-achievement or poor planning.**

**Changes to budgeted indicators that are included in the SDBIP/IDP:**
In this case any changes would incur a high impact, as they may affect what was originally planned and publicly agreed in the IDP process. As the IDP and budget was originally approved by council, such indicators are only permitted to be change upon approval by council. Additional indicators and/or targets are permitted with simply the managers/municipal manager/mayor's approval. As the IDP is affected with changes to the SDBIP, so will the SDBIP and applicable performance plans be affected with any changes to the IDP document during the course of the year.

Such changes must be made unilaterally.

**Changes to indicators that are not included in the SDBIP**
These indicators, although not included in the IDP, are vitally important as they support the indicators in the IDP. However it is at the discretion of the manager as to whether changes can be made. Any changes must be recorded and authorized by the relevant senior official whether they are deletions, amendments or additions. The manager and employee must together decide how great the impact any change to an indicator is and whether replacement resources would need to be put in place.
12.6 Disputes

The municipal performance management regulation for section 54 and 56 managers provide clear guidelines for performance disputes relating to the performance of the municipal manager and managers directly accountable to the municipal manager. Below is the process of dispute as it relates for section 54 and 56 employees as stipulated in the said regulations.

- Any disputes about the nature of the Employee’s performance agreement, whether it relates to key responsibilities, priorities, methods of assessment and/or any other matter provided for, shall be mediated by –
- In the case of the municipal manager, the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the employee, or any other person designated by the MEC; and
- In the case of managers directly accountable to the municipal manager, the executive mayor or mayor within thirty (30) days of receipt of a formal dispute from the employee;
- In the event that the mediation process contemplated above fails, clause 19.3 of the contract if employment shall apply.

The following process relates to dispute relating to employees below section 56 employees.

- Conducting performance counselling in case of poor performance;
- If counselling does not yield results, employees are put on performance improvement process with action plan and clear timelines; and
- If performance does not improve, disciplinary process will be initiated, where by a verbal warning will be given, followed by written warning and subsequent dismissal.

For permanent employees the following procedure must be followed:

- The employees concerned must in writing raise the dissatisfaction with the next line of reporting. If the dispute remains unresolved within 10 working days. The said employee will forward the dispute to the Municipal Manager.
- A Moderating Committee after being established by the Municipal Manager shall be utilized for performance dispute resolution and their decision is binding, failing which the dispute procedure as outlined in the Conditions of Service may be followed.

12.7 Reward/ recognition/performance bonuses

12.7.1 Performance bonuses

In order to encourage high standards of performance, it is recognise that outstanding performance should be rewarded. Employees who have signed fixed term contracts and performance agreements and who obtain high scores on their performance agreements are eligible to receive some form of financial reward as outlined in the Municipal Performance Management Regulations for Section 56 managers or as outlined in the Performance Reward Scheme of the Municipality.

12.7.2 Non-financial

Non-financial reward is based on recognising high performance in ways other than financial recognition. There are three types of non-cash rewards within the performance management system:

a) Informal: Very low cost and linked to motivational team building,
b) Achievement rewards: Measure the achievement of an individual or department against other individuals or departments.

c) Formal rewards: The municipality has formal recognition programmes used to formally acknowledge significant contributions by individuals and teams.

In the case of **unacceptable performance**, the employer shall:
- a) provide systemic remedial or development support to assist the employee to improve his/her performance; and
- b) after appropriate performance counselling and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and performance does not improve, the employer may consider steps to terminate the contract of employment of the employee on grounds of unfitness or incapacity to carry out his/her duties.

13 EVALUATION AND REVIEW OF THE ENTIRE PERFORMANCE MANAGEMENT SYSTEM ("PMS")

Karoo Hoogland Municipality will review its performance management system annually alongside the review of the IDP.

14 CONCLUSION

This policy and framework describes how the municipality's performance process, for the organisation as a whole will be conducted, organised and managed.

It is important to note that a Performance Management Policy and framework is dynamic and will change and develop over time to reflect the unique features of the municipality. The municipality environment is no exception to this phenomenon and this policy lends itself to improvement and positive changes with even more focused alignment to the municipality’s strategic objectives and performance levels.

This framework seeks to provide the basis for a structured approach to performance management within the Karoo Hoogland Municipality. As indicated in this document, complete and proper implementation of this framework lies heavily on commitment and dedicated leadership. It is anticipated that in the foreseeable future the Municipality will convert this manual performance management platform into an automated electronic system. **However, automation of the performance management system should only be attempted after a performance culture has been established, the system with its associated procedures was institutionalized, and all role-players and stakeholders can fully accomplish their respective roles and responsibilities within the performance management cycle.**