# KAROO HOOGLAND MUNICIPALITY

## PERFORMANCE MANAGEMENT FRAMEWORK

## 2022/2023

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

**REVIEWED AND UPDATED MAY 2022**

Signature of Mayor:

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Date Approved: ______________

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Date: ______________

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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 Government: Municipal Demarcation Act. 1998 (Act No. 27 of 1998)

**“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 ward 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”**
means the Local Government: Municipal Structures Act. 1998 (Act 117 of 1998)

**“Municipal Systems Act”**
means the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000)

**“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);
j) Regulations on Appointment and Conditions of Employment of Senior Managers, 2014.
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.
p) Batho Pele Principles, 1998

## 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.

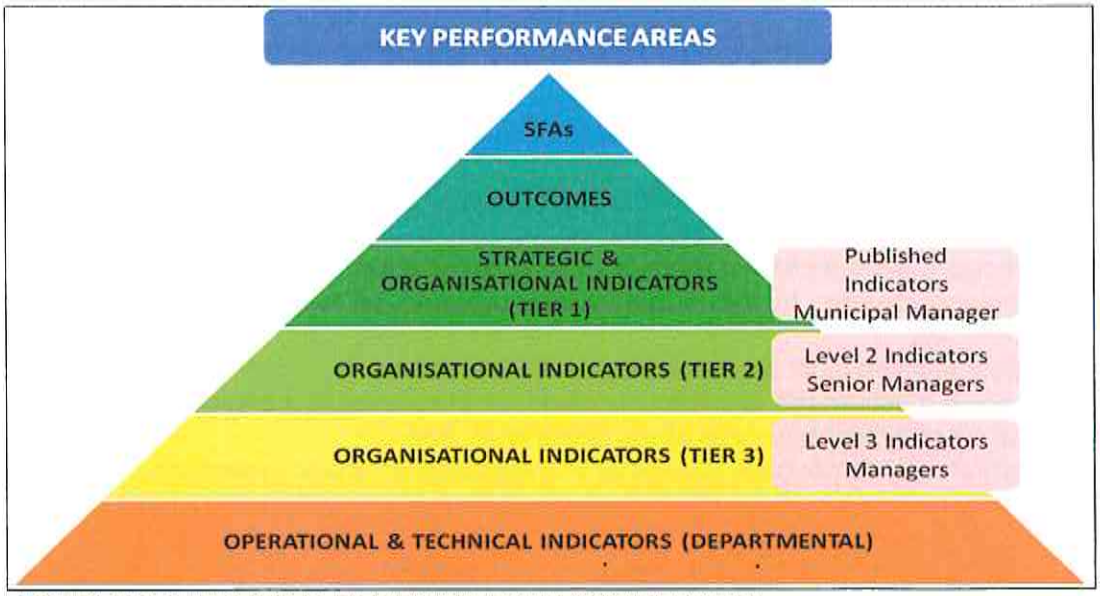



**FIGURE 2: THREE TIER PERFORMANCE SCORECARD**

## 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 each 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.

### *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.

### *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 KPAs 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.

### *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 2022"*

### *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.

### *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.

### *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.

### *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.

### *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.

### *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.

### *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.

### *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.

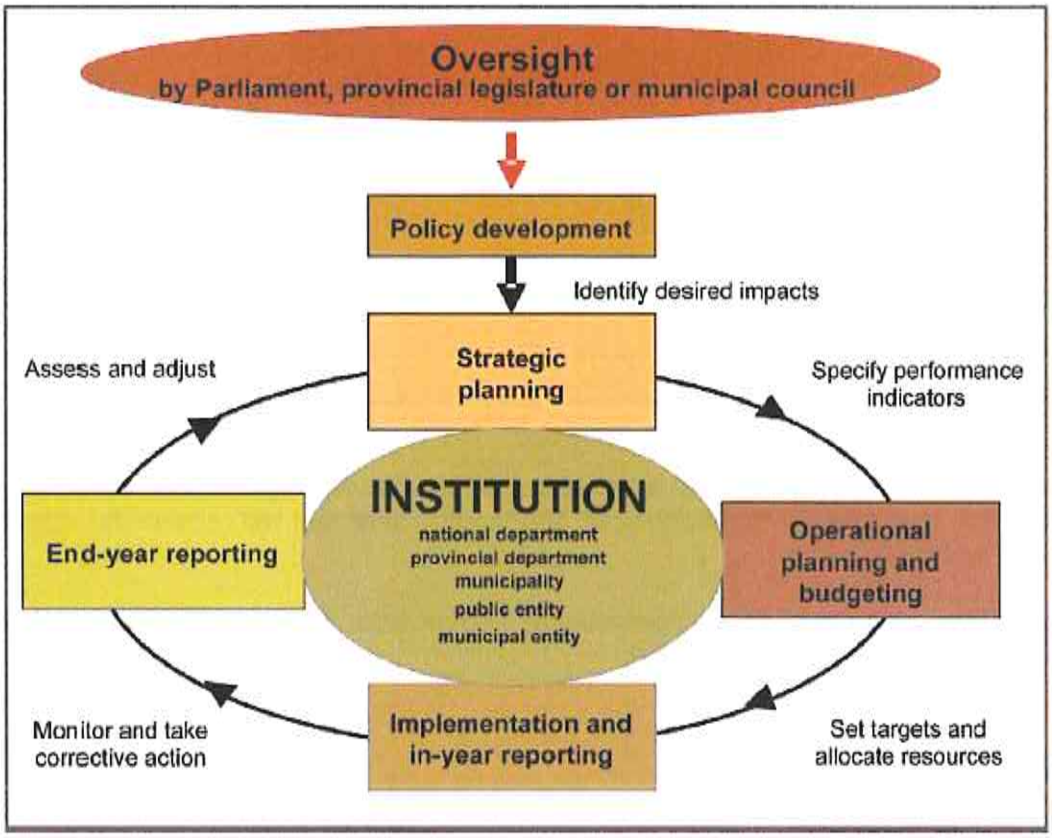
An indicative template of the Organizational Performance Scorecard with all the above concepts is attached as APPENDIX A.

# 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***

| Planned Deliverables | | Planned Events | Delegation | Report |
|---|---|---|---|---|
| JULY | Quarterly SDBIP report of the previous financial year to be finalised by the 12th calendar day after the end of the quarter under review for the presentation to the Municipal Manager and the Mayor. | Quarterly SDBIP report:<br>• Tabled at Council within one month after the end of the quarter;<br>• Report submitted to Provincial Government and National Government;<br>• Reported to Internal Audit unit;<br>• Placed upon website;<br>• Non-Financial Performance Measures reported to Provincial and National Government. | Yes, signed quality certificate for quarterly report by MM and Mayor | Quarter 4 report |
| JULY | Planning, Consultation and Signing of Individual performance agreements, performance plans, managerial competencies and personal development plans with Senior Managers;<br>Publish performance agreements on the website (Directors only);<br>Submit performance agreements to National and Provincial Government. | Signed agreements uploaded unto Municipal Website:<br>- 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 |
| 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 |
| AUGUST | Preparation of previous financial year annual performance report. | 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 | IDP and Budget consultation. | 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 |

| Planned Deliverables | | Planned Events | Delegation | Report |
|---|---|---|---|---|
| OCTOBER | 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; | Informal Performance review of directors by the Municipal Manager Informal Performance review of managers and heads by immediate supervisors Quarterly SDBIP report:<br>• Tabled at Council within one month after the end of the quarter;<br>• Reported submitted to Provincial Government;<br>• Reported to Internal Audit unit<br>• Placed upon website Provincial and National Government; and<br>• Non-Financial Performance Measures reported to Provincial and National Government. | Yes, signed quality certificate for quarterly report by MM and Mayor. | Quarter 1 report; Signed attendance register as confirmation note for informal performance review with immediate subordinates. |
| NOVEMBER | TL and Departmental SDBIP review process. | Review sessions scheduled with each Directorate to review performance indicators and targets. | Yes, Municipal Manager. | Revised TL and Departmental SDBIP. |
| DECEMBER | Finalisation of the Draft Annual Report. | Draft Annual Report distributed to each Directorate for final input | Yes, Municipal Manager. | Draft Annual Report |

| Planned Deliverables | | Planned Events | Delegation | Report |
|---|---|---|---|---|
| JANUARY | 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. | Informal Performance review of directors by the Municipal Manager Informal Performance review of managers and heads by immediate supervisors.<br>Quarterly SDBIP report:<br>• Tabled at Council within 25 days after the end of the quarter;<br>• Reported submitted to Provincial Government; National Treasury and CoGTA;<br>• Reported to Internal Audit unit;<br>• Placed upon website Provincial and National Government; and<br>• 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; |
| | Draft Annual Report | Advertised on the Website<br>• Reported submitted to Provincial Government; National Treasury and CoGTA<br>• Invitation of written submissions from the public<br>• Reported to Auditor General | Yes, MM and Mayor | Council Minutes which refers Draft report to the MPAC/Oversight Committee |
| FEBRUARY | Mid-year performance evaluations of the Municipal Manager and Directors | Mid-year performance assessments 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 |
| MARCH | Final Annual Report | Tabled at Council;<br>• Report submitted to Provincial Government; National Treasury and CoGTA<br>• Report submitted to the Auditor General<br>• Follow MPAC process as part of Oversight Process<br>• Finalise Oversight Report and table in Council for approval.<br>• 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. |

| Planned Deliverables | | Planned Events | Delegation | Report |
|---|---|---|---|---|
| APRIL | 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 & Council; | Informal Performance review of directors by the Municipal Manager<br>Informal Performance review of managers and heads by immediate supervisors Quarterly SDBIP report:<br>• Tabled at Council within 25 days after end of month;<br>• Reported submitted to Provincial Government;<br>• Reported to Internal Audit unit<br>• Placed upon website Provincial and National Government; and<br>• Non-Financial Performance Measures reported to Provincial and National Government | Yes, signed quality certificate for quarterly report by MM and Mayor | Quarter 3 report; Signed attendance register as confirmation note for informal performance review with immediate subordinates. Monthly report for September submitted |
| MAY | Submission of the final IDP to Council. | Finalisation of the IDP and submission to Council. | Yes, MM and Mayor | Final IDP |
| JUNE | Finalisation of the TL SDBIP and submission to the Executive Mayor. | Finalisation of the TL SDBIP and submission to the Executive Mayor. | Yes, MM and Mayor | Approved TL SDBIP. |

**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.

| PHASE | ORGANISATIONAL ACTIVITIES | INDIVIDUAL ACTIVITIES | TIME FRAME | RESPONSIBILITY |
|---|---|---|---|---|
| PLANNING | Development and approval of the SDBIP and organisational performance scorecard | | March – May | Council |
| | | Signing performance agreements and plans with permanent employees | March – June | Municipal Manager<br>All employees |
| | | Signing performance agreements and plans with senior managers | 31 July | Mayor<br>Municipal Manager<br>Senior Managers |
| MONITOR, MEASURE & REVIEW | Monthly Monitoring | Monthly Monitoring | Monthly | Municipal Manager<br>Senior Managers<br>Section managers/ Supervisors |
| | Quarterly Review/s | Quarterly Reviews | October<br>January<br>April | Municipal Manager<br>Senior Managers<br>Managers/ Supervisors |
| | | Annual Performance Appraisal | July | Mayor<br>Municipal Manager<br>Senior Managers<br>Managers<br>Supervisors |
| | | Reward and Recognition | July and February | Mayor<br>Municipal Manager<br>Senior Managers |
| REPORTING | Quarterly and Mid-Term Reports | Quarterly Reports | October<br>January<br>April<br>July | Management Team |
| | Annual Reports | Annual Employee Performance Reports | 31 August | Mayor<br>Municipal Manager |
| | | Departmental and Section Heads Reports | Monthly | Management Team<br>Section managers |
| IMPROVEMENT | Performance Improvement Plans | | July | Management<br>All employees |

**TABLE 4: CRITICAL PERFORMANCE MANAGEMENT TIMELINES**

## 4.2 KEY STEPS IN PERFORMANCE MANAGEMENT

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

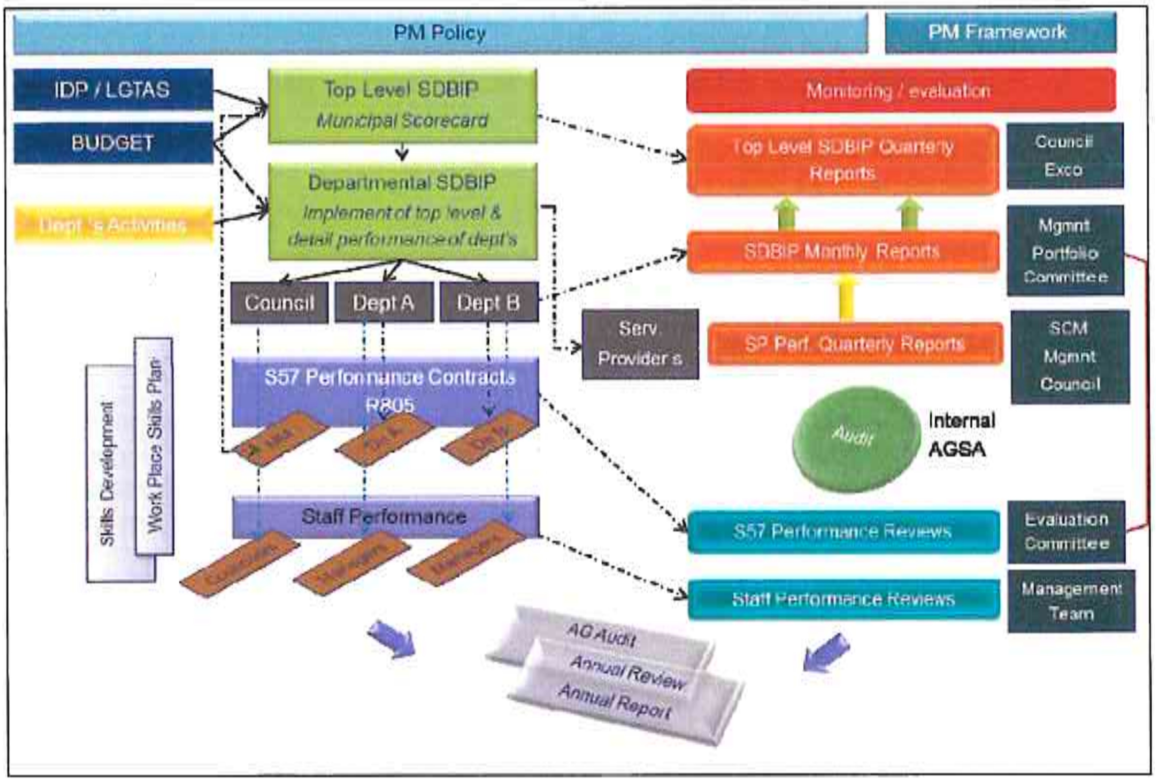
1. IDP consultation and strategic processes to determine
   a) Strategic Objectives aligned with the National Agenda and local needs;
   b) Establish the Municipal KPAs; and
   c) ~~Design Strategic Focus Areas~~; Priorities from consultation;
2. Prioritise capital projects for budgeting purposes aligned 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;

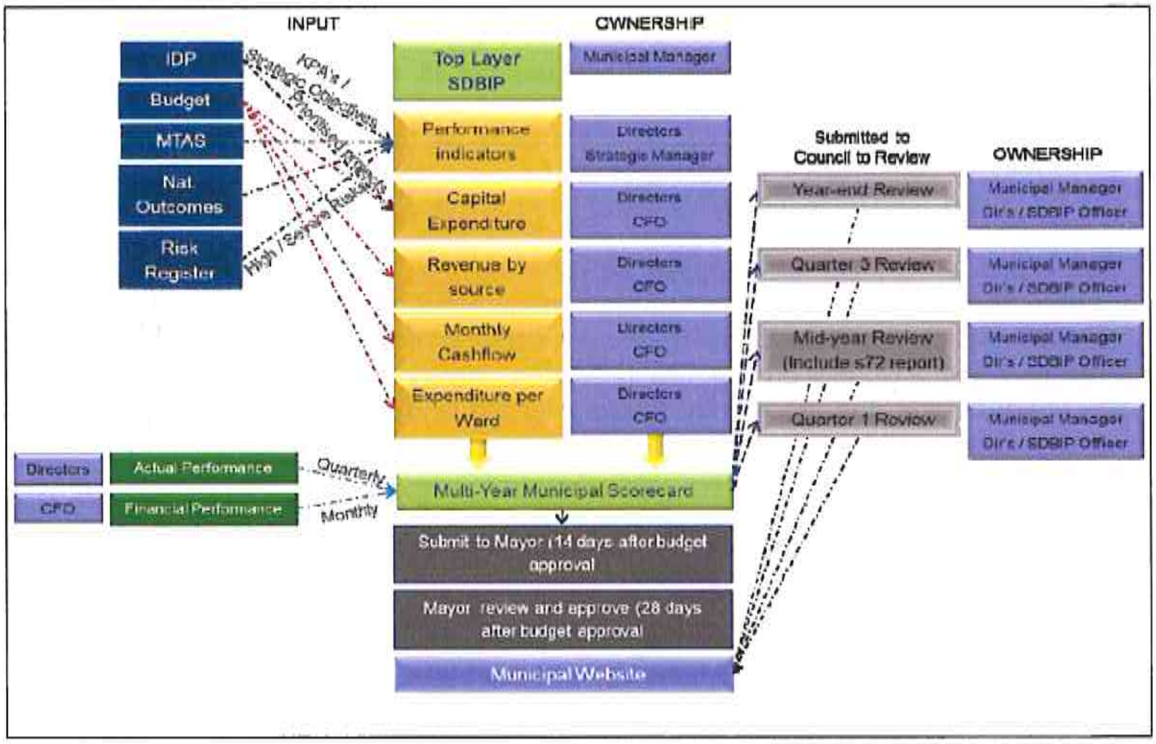
h) Level and standard of service being provided to the community;

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***

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