

PERFORMANCE AGREEMENT

Made and entered into by and between:

MOKOPA MOGOSHAJI ERICK

Municipal Manager of Makhuduthamaga Local Municipality

On behalf of Makhuduthamaga Local Municipality

And

Dine DOROTHY Seigaele

("The Chief Financial Officer")

1. INTRODUCTION

- 1.1. The municipality has entered into a performance agreement with the Chief Financial Officer for a period ending on 30 June 2012, in terms of Section 57 (1) (a) of the Local Government Municipal Systems Act 32 of 2000 ("the systems act").
- 1.2. Section 57 (1) (b) of the Systems Act, read with the contract of employment concluded between the parties, requires the parties to conclude an annual performance agreement.
- 1.3. The parties wish to ensure that they are clear about the goals to be achieved and secure the commitment of the Chief Financial Officer reporting to the Municipal Manager, to a set of actions that will secure local government policy goals.

2. PURPOSE OF THIS AGREEMENT

- 2.1. The parties agree that the purposes of this agreement are to:
- 2.2. Comply with the provisions of Section 57 (1) (b) of the Systems Act;
- 2.3. State objectives and targets established for the CFO;
- 2.4. Specify accountabilities
- 2.5. Monitor and measure performance;
- 2.6. Establish a transparent and accountable working relationship; and
- 2.7. Give effect to the municipality's commitment to a performance-orientated relationship with its Chief Finance Officer in attaining equitable and improved service delivery.

3. COMMENCEMENT AND DURATION

- 3.1. This agreement will commence on the 1 July 2011 and will remain in force until 30 June 2012 and, subject to paragraph 3.3, will continue in force until a new performance agreement is concluded between the parties as contemplated in paragraph 3.2.
- 3.2. The parties will review the provisions of this Agreement during June each year. The parties will conclude a new performance agreement that replaces this agreement at least once a year by not later than September
- 3.3. This Agreement will terminate on the termination of the Chief Financial Officer contract of employment for any reason as provided for in the Contract of Employment

4. PERFORMANCE OBJECTIVES

4.1. Annexure "A" sets out:

4.1.1. The performance objectives and targets that must be met by Chief Financial Officer,
And

4.1.2. The time frames within which those performance objectives and targets must be met.

4.2. The performance objectives and targets reflected in Annexure "A" are set by the Municipal Manager in consultation with the Chief

Financial Officer, and include key objectives; key performance indicators; target dates and weightings.

4.3. The key objectives describe the main tasks that need to be done. The key performance indicators provide the details of the evidence

that must be provided to show that a key objective has been achieved. The target dates describe the timeframe in which the work must be achieved. The weightings show the relative importance of the key objectives to each other.

4.4. The Chief Financial Officer services' performance will, in addition, be measured in terms of contributions to the goals and

strategies set out in the Municipality's Integrated Development Plan.

4.5. The Municipality will make available to the Chief Financial Officer such employees may reasonably require from time to time to assist him to meet the performance objectives and targets established in terms of this agreement; provided that it will at all times remain the responsibility of the Chief Financial Officer to ensure that he complies with those performance obligations and targets.

4.6. The Chief Financial Officer will at his request be delegated such powers by the Municipality as may in the discretion of the Municipality be reasonably required from time to time to enable him to meet the performance objectives and targets established in terms of this agreement.

4.7. The Municipal Manager will be entitled to review and make reasonable changes to the provisions of Annexure "A" from time to time for operational reasons. The Chief Financial Officer will be fully consulted before any such changes are made.

4.8. The provisions of Annexure "A" may be amended by the Municipal Manager when the Municipality's performance management system is adopted, implemented and/or amended as the case may be.

5. EVALUATING PERFORMANCE

5.1. Annexure "A" to this agreement sets out:

5.1.1. the standards and procedures for evaluating the Chief Financial Officer's performance; and

5.1.2. the intervals for the evaluation of the Chief Financial Officer's performance.

5.2. Despite the establishment of agreed intervals for evaluation, the Municipal Manager may, in addition, review the Chief Financial Officer's performance at any stage while the contract of employment remains in force.

5.3. Personal growth and development needs identified during any performance review discussion must be documented and, where possible, actions agreed.

6. PERFORMANCE MANAGEMENT SYSTEM

6.1. The Chief Financial Officer to participate in the performance management system that the Municipality adopts or introduces for the Municipality, management and municipal staff of the Municipality.

6.2. The Chief Financial Officer accepts that the purpose of the performance management system will be to provide a comprehensive system with specific performance standards to assist the Municipality, management and municipal staff to perform to the standards required.

6.3. The Municipal Manager will consult the Chief Financial Officer about the specific performance standards that will be included in the performance management system as applicable to the Chief Financial Officer

6.4. The employee's assessment will be based on his or her performance in terms of the outputs/outcomes (performance indicators) identified as per the performance plan which are linked to the KPA's, which constitute 80% of the overall assessment result as per the weightings agreed to between the employer and employee.

Key Performance Areas (KPA's) for Municipal Managers		Weighting
Basic Service Delivery		25%
Municipal Institutional Development and Transformation		20%
Local Economic Development		20%
Municipal Financial Viability and management		25%
Good Governance and Public Participation		10%
Total		100%

6.5. The key performance areas related to the functional area/department of the manager must be subject to negotiations between the municipal manager and the Chief Financial Officer.

6.6. The CCRs will make up the other 20% of the employee's assessment score. CCRs that are deemed to be most critical for the employee's specific job should be selected from the list below as agreed to be between the employer and the employee and must be considered with due regard to the proficiency level agreed to:

CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (CCR)		
Core Managerial and Occupational Competencies	Indicate Choice	Weight
Strategic Capacity and Leadership		10
Programme and Project Management		5
Financial Management	Compulsory	10
Change Management		5
Knowledge Management		5
Service Delivery Innovation		5
Problem Solving and Analysis		5
People Management and Empowerment	Compulsory	10
Client Orientation and Customer Focus	Compulsory	5
Communication		5
Honesty and Integrity		5
Core Occupational Competencies		5

Legislative and national policy frameworks	5
Knowledge of development local government	5
Knowledge of performance management and reporting	5
Competence in policy conceptualization, analysis and implementation	5
Skills in governance	5
Exceptional and dynamic creativity to improve the functioning of the municipality	5
Total Percentage	100%

6.7. Reward for Performance

6.7.1. The performance bonus will be determined by the Municipal Manager based on affordability and the stipulations of the Performance Agreement.

- 6.7.2. A merit reward for performance in addition to the annual reviewed remuneration will be considered by the Council not later than September under the following conditions:
- The payment of the reward will be based on the period under review and result of the performance score;
 - The amount of the reward will not exceed 14% of the remuneration, but will be subjected to affordability to the municipality.
 - The performance score will be obtained by using the performance plan;
 - Where external factors have a negative influence on the result of the performance as scrutinized and recommended by the Performance Audit Committee, the Municipality may grant a reward. (Regulation number 29089) of 01 August 2006);

e) The reward if granted, will be paid annually after the compilation of the financial statements and after finalization of the performance appraisal;

f) The final outcome of the performance appraisal will determine the reward;

g) The following table will be used in determining the payment of the reward:

PERFORMANCE APPRAISAL OF KPAs AND CCRs				
LEVEL	DESCRIPTION	RATING	ASSESSMENT SCORE	PERFORMANCE BONUS RATIOS
Level 5: Outstanding Performance	Performance far exceeds the standards expected for the job in all areas of the manager. The manager has achieved exceptional results against all performance criteria and indicators specified in the Performance Plan and maintained this in all areas of responsibility throughout the year.	5	75-100	Maximum bonus allowed into. Regulations is between 10% and 14% of person's inclusive annual remuneration package. The % as determined per Council Resolution is as follows: 75-76%=10% 77-78%=11% 79-80%=12% 81-84%=13% 85-100%=14%
Level 4: Performance significantly above expectations	Performance is significantly higher than the standard expected for the job in all areas. The manager has achieved above fully effective results against more than half of the performance criteria and indicators specified in the performance plan and fully achieved all others throughout the year.	4	65-74	Maximum bonus allowed into. Regulations is between 5% and 9% of person's inclusive annual remuneration package. The % as determined per Council Resolution is as follows: 65-66%=5% 67-68%=6% 69-70%=7% 71-72%=8% 73-74%=9%
Level 3: Fully Effective	Performance fully meets the standard expected for the job in all areas. The manager has achieved effective results	3	51-64	No bonus

	against all significant performance criteria and indicators specified in the Performance Plan and may have achieved results significantly above expectations in one or two less significant areas throughout the year.			
Level 2: Performance not fully satisfactory	Performance is below the standard required for the job in key areas. The manager has achieved adequate result against many key performance criteria and indicators specified in the Performance Plan but did not fully achieve adequate results against others during the course of the year. Improvement in these areas is necessary to bring performance up to the standard expected.	2	31-50	No bonus
Level 1: Unacceptable Performance	Performance does not meet the standard required for the job. The manager has not met one or more fundamental requirements and/or is achieving results that are well below the performance criteria and indicators in a number of significant areas of responsibility. The manager has failed to demonstrate the commitment or ability to bring performance up to the level expected despite efforts to encourage improvement	1	Less than 30	No bonus

- ❖ As per clause 6.4.2 (a), (b), (c) above
- h) The scheme for reward of performance can be reviewed annually

8.2. The Municipal Manager agrees to inform the Chief Financial Officer of the outcome of any decisions taken pursuant to the exercise of powers contemplated in paragraph 7.1. as soon as is practicable to enable the Chief Financial Officer to take any necessary action without delay.

9. Consequence of Sub Standard Performance

9.1. Where the Municipal Manager is, at any time during Chief Financial Officer's employment, not satisfied with his/her performance with respect to any matter dealt with in this Agreement, the Municipal Manager will give notice to the Chief Financial Officer to attend a meeting with the Executive Committee.

9.2. The Chief Financial Officer will have the opportunity at the meeting to satisfy the Municipal Manager of the measures that the Chief Financial Officer's performance becomes satisfactory and any programme, including any dates, for implementing these measures.

9.3. Where there is a dispute or difference as to the performance of the Chief Financial Officer under this agreement, the parties will confer with a view to resolving the dispute or difference.

9.4. If at any stage thereafter the Executive Committee holds the view that the performance of the Chief Financial Officer is not satisfactory, the Municipality will, subject to compliance with applicable labour legislation, be entitled by notice in writing to the Chief Financial Officer to terminate the Chief Financial Officer's employment in accordance with the notice period set out in the contract of employment in this Agreement in any way limits the right of the Municipality to terminate the Chief Financial Officer's contract of employment with or without notice for any other breach by the Chief Financial Officer of his obligations to the Municipality or for any other valid reason in law.

9.5. Nothing contained in this Agreement in any way limits the right of the Municipality to terminate the Chief Financial Officer's contract of employment with or without notice for any other breach by the Chief Financial Officer of his obligations to the Municipality or for any other valid reason in law.

10. Disputes

10.1. In the event that the Chief Financial Officer is dissatisfied with any decision or action of the Municipal Manager or of the Municipality in terms of this agreement, or where a dispute or difference arises as to the extent to which the Chief Financial Officer has achieved the performance objectives and targets established in terms of this agreement, the Chief Financial Officer will record the outcome of the meeting in writing.

10.2. In the event that the Chief Financial Officer remains dissatisfied with the outcome of that meeting, he may raise the issue in writing with the Municipality's council by requesting that the issue be placed on the agenda of an appropriate meeting of council. Council will determine a process for resolving the issue, which will involve at least providing the Chief Financial Officer with an opportunity to state his case orally or in writing. At the Chief Financial Officer's request Council will record its decision on the issue in writing. The decision of Council on the issue will be made within 2 (two) weeks of the issue being raised, or as soon thereafter as possible, and will be final.

11. General

11.1. The contents of the Agreement and the outcome of any review conducted in terms of Annexure "A" will not be confidential, and may be made available to the public by the Municipality, where appropriate.

11.2. Nothing in this Agreement diminishes the obligations, duties or accountabilities of the Chief Financial Officer in terms of his contract of employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

Signed at JANE FURSE on this 1st day of July 2011

AS WITNESSES:

1. Makethi T.S
2. [Signature]

[Signature]
The Municipal Manager of
Makhuduthamaga Local Municipality

Signed at JANE FURSE day of 1st July 2011

AS WITNESSES:

1. [Signature]
2. [Signature]

[Signature]
Chief Financial Officer

CHIEF FINANCIAL OFFICER

KPA	Performance Objective	KPI Weightings	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Evidence
FINANCIAL VIABILITY	To ensure effective financial systems and procedure		% increase revenue base with interim valuation roll and identification of illegal water connections	10%	100%	25%	25%	25%	25%	
			GRAP implementation: Restructuring of accounting system and full compliance.	20%	100%					
			Completion of financial statements before 31 August		100%	100%				Financial statements signed and proof of submission
			Review of asset management policy	100%	100%	50%		50%		Asset management policy submission
			Asset verification and stores management verification	100%	100%	100%	100%	100%	100%	Asset register
			Enhance budgetary controls and timeliness of financial data and eliminate fruitless and wasteful expenditure	Reports	100%	100%	100%	100%	100%	Council report

KPI	Performance Objective	KPI Weight	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Evidence
	To improve tender processes to fast track service delivery		Turnaround time of tender procurement processes and submission of bid reports to Mayor on Q basis	100%	100%	100%	100%	100%	100%	
	To improve spending patterns on capital budget to reflect priorities of the municipality		% capital budget spent	50%	100%	26%	62%	12%	100%	Financial report
	To increase cost effectiveness on operating expenditure		% of the operational budget saved	4%	4%	1%	2%	3%	4%	Financial report
			Consumer bad debt exceeding 90 days recovered	65%	40%	10%	20%	30%	40%	
			Secure external funding to finance EFF part of capital budget	100%	100%	100%				

KPA	Performance Objective	KPI Weight	KPI	Baseline	Annual Target	Q1	Q2	Q3	Q4	Evidence
LED	To promote broad based economic empowerment and the development of SME's		% of total procurement value dedicated to BEE and SME's	30%	40%	10%	20%	30%	40%	
FV	Proper debt management and creditors control		Development of creditors policy	New indicator	100%	100%				Policy
			Update and review of indigent register	New indicator	100%	25%	50%	75%	100%	
			Update website regularly	100%	100%	100%	100%	100%	100%	
			Debt coverage by own billed revenue	80%	95%	25%	50%	75%	95%	
			Ratio of outstanding service debtors to revenue received for services	10%	40%	20%	30%	35%	40%	
			% implementation of valuation roll and capturing on financial system	100%	100%	100%				
			Proper tariff structure and expense recovery mechanisms for services	100%	100%	25%	25%	25%	25%	
			Implementation of							

																			policies										

Signed at Dane Furse on this 1st day of July 2011

AS WITNESSES:

1. Mphethi TS

2. [Signature]

[Signature]

The Municipal Manager of
Makhuduthamaga Local Municipality

Signed at Dane Furse day of 1st July 2011

AS WITNESSES:

1. [Signature]

2. [Signature]

[Signature]

CHIEF FINANCIAL OFFICER

ANNEXURE B: PERSONAL DEVELOPMENT PLAN

PERIOD: JULY 2011-JUNE 2012

Skills/Performance Gap (in order of priority)	Outcomes expected (measurable indicators)	Suggested training and/or development activity	Suggested mode of delivery	Suggested time frames	Work opportunity to practice skills or development area	Support person

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