



PERFORMANCE AGREEMENT

Made and entered into by and between

THE ELIAS MOTSOLEDI LOCAL MUNICIPALITY

("the Municipality")

(Represented by M.M MTSWENI, duly authorised by Municipal Council Resolution)

and

RICHARD PALMER

(Acting Chief Financial Officer)

For the Financial Year: 1 July 2012 to 30 June 2013

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1. INTRODUCTION

- 1.1. The Elias Motsoaledi Local Municipality has appointed an Acting CFO in terms of Section 82 of the structures Act 117 of 1998 for undefined period
- 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 Acting CFO reporting to Municipal Manager, to a set of actions that will secure local government policy goals.
- 1.4. Notwithstanding the date of signature hereof, this agreement shall commence with effect from **01 July 2012** and shall endure for the period referred to in clause 1. Above.

2. PURPOSE OF THIS AGREEMENT

- 2.1 The parties agree that the purposes of this Agreement are to:
 - 2.1.1. Comply with the provisions of Section 57(1)(b), 4(A), (4B) and (5) of the Systems act; and the employment contract entered into between the parties;
 - 2.1.2. State objectives and targets established for the Acting CFO
 - 2.1.3. Specify accountabilities;
 - 2.1.4. Monitor and measure performance;
 - 2.1.5. Establish a transparent and accountable working relationship; and
 - 2.1.6. Give effect to the Acting CFO commitment to a performance-orientated relationship with its Municipal Manager in attaining equitable and improved service delivery.

3. COMMENCEMENT AND DURATION

- 3.1. This Agreement will commence on the date of signature by both parties, which will be as soon as reasonably possible after **1st July 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 July each year.

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- 3.3. The performance score obtained during the performance review determines the performance bonus. Should the Acting CFO be entitled to a bonus, this will be paid out in the Acting CFO's **January** salary.
- 3.4. This Agreement will terminate on the termination of Acting CFO's contract of employment for any reason.

4. PERFORMANCE OBJECTIVES

4.1. Annexure "A" sets out:

- 4.1.1. The performance objectives and targets that must be met by the Acting CFO; 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 Municipal Manager in consultation with the Acting CFO based on the Integrated Development Plan and Service Delivery and Budget Implementation Plan 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 objective
- 4.4. Acting CFO's 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. Municipal Manager will make available to Acting CFO time to assist him to meet the performance objectives and targets established in terms of this agreement.
- 4.6. Municipal manager will be entitled to review and make reasonable changes to the provisions of Annexure "A". Annexure "A" may be amended by Municipal Manager when the EMLM's Performance Management System is adopted, implemented and/or amended as the case may be.

5. PERFORMANCE MANAGEMENT FRAMEWORK

The Parties record that the EMLM has a Performance Management Framework, which may be amended from time to time. It describes the systems and procedures of performance management in the municipality in which the Acting CFO will be required to engage in performing his job.

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6. EVALUATING PERFORMANCE

6.1. Annexure "A" to this Agreement sets out the standards and procedures for evaluating the Acting CFO; performance;

6.2. The performance of the Acting CFO in relation to his performance agreement shall be reviewed on a quarterly basis as follows:

First quarter	:	July – September
Second quarter	:	October – December
Third quarter	:	January – March
Fourth quarter	:	April - June

6.3. The Acting CFO shall keep a record of the mid-year review and annual assessment meetings.

6.4. Performance feedback shall be based on Municipal Manager's assessment of the Acting CFO's performance.

6.5. Municipal Manager will be entitled to review and make reasonable changes to the provisions of the performance plan from time to time for operational reasons. The Acting CFO will be fully consulted before any such change is made.

6.6. Municipal Manager may amend the provisions of the performance plan whenever the performance management system is adopted, implemented and/or amended as the case may be. In this case the Acting CFO will be fully consulted before any such change is made.

6.7. Despite the establishment of agreed intervals for evaluation, Municipal Manager may, in addition, review the Acting CFO's performance at any stage while the contract of employment remains in force.

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

6.9. The Acting CFO's performance will be measured in terms of contributions to the goals and strategies set out in the municipality's IDP.

6.10. The annual performance appraisal will involve:

a) Assessment of the achievement of results as outlined in the performance plan:

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- i. Each KPA should be assessed according to the extent to which the specified standards or performance indicators have been met and with due regard to ad hoc tasks that had to be performed under the KPA.
- ii. An indicative rating on the Five-point scale should be provided for each KPA.
- iii. The applicable assessment rating calculator must then be used to add the scores and calculate a final KPA score.

6.11. It is recorded that in terms of the EMLM's Performance Management Framework and system, for purposes of evaluating the performance of the Acting CFO, The Evaluation Panel will assist in the evaluation of the Acting CFO.

7. PERFORMANCE MANAGEMENT SYSTEM

- 7.1. The Acting CFO agree to participate in the performance management system that the municipality adopts or introduces for the Acting CFO, management and municipal staff of the municipality.
- 7.2. The Acting CFO accepts that the purpose of the performance management system will be to provide a comprehensive system with specific performance standards to assist the Acting CFO, management and municipal staff to perform to the standards required.
- 7.3. Municipal Manager will consult the Acting CFO about the specific performance standards that will be included in the performance management system as applicable to the Acting CFO.
- 7.4. The Acting CFO agrees to participate in the performance management and development systems that the municipality adopts.
- 7.5. The Acting CFO undertake to actively focus towards the promotion and implementation of the Key Performance Areas (KPA's) (including special projects relevant to his responsibilities) within the local government framework.

Key Performance Areas (KPA`s) for Acting CFO	Weighting
Basic Service Delivery	5%
Municipal Institutional Development and Transformation	5%
Local Economic Development	5%
Municipal Financial Viability and management	80%
Good Governance and Public Participation	5%
Total	100%

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7.6. 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		
Programme and Project Management		
Financial Management	Compulsory	60%
Change Management		
Knowledge Management		
Service Delivery Innovation		
Problem Solving and Analysis		
People Management and Empowerment	Compulsory	10%
Client Orientation and Customer Focus	Compulsory	10%
Communication		
Honesty and Integrity		
Core Occupational Competencies		
Legislative and national policy frameworks		10%
Knowledge of development local government		
Knowledge of performance management and reporting		
Competence in policy conceptualization, analysis and implementation		5%
Skills in governance		5%
Exceptional and dynamic creativity to improve the functioning of the municipality		
Total Percentage		100%

7.7. Reward for performance

The performance bonus will be determined by the Municipal Council based on affordability and the stipulations of the performance agreement.

The performance bonus in addition to the annual reviewed remuneration will be considered by the Council not later than September under the following conditions:

- a. The payment of the reward will be based on the period under review and result of the performance score;
- b. The amount of the reward will not exceed 14% of the remuneration, but will be subjected to affordability to the Municipality;
- c. The performance score will be obtained by using the performance plan;

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- d. 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 01August 2006)
- e. The reward if granted, will be paid annually after the compilation of the financial statements and after finalisation of the performance appraisals;
- 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 standard 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 ito. Regulations is between 10% and 14% of person's inclusive annual remuneration package The % as determined per Council Resolution is as follows: 75 – 76% 77 – 78% - 79 – 80% - 81 – 84% - 85 – 100%
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 ito. Regulations is between 5% and 9% of person's inclusive annual remuneration package The % as determined per Council Resolution is as follows: 65 – 66% 67 – 68% 69 – 70% 72% - 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 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.	3	51 – 64	No bonus

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<p>Level 2: Performance not fully satisfactory</p>	<p>Performance is below the standard required for the job in key areas. The manager has achieved adequate results against many key performance criteria and indicators specified in the Performance Plan but did not fully achieved adequate results against others during the course of the year. Improvement in these areas is necessary to bring performance up to the standard expected.</p>	<p>2</p>	<p>31 – 50</p>	<p>No bonus</p>
<p>Level 1: Unacceptable performance</p>	<p>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.</p>	<p>1</p>	<p>Less than 30</p>	<p>No bonus</p>

8. CONSULTATION

- 8.1. Municipal Manager agrees to consult with Acting CFO timeously where the exercising of the Acting CFO's powers will –
- 8.1.1. Have a direct effect on the performance of any of the Acting CFO's functions;
 - 8.1.2. Commit the Acting CFO to implement or to give effect to a decision made by Municipal Manager;
 - 8.1.3. Have a substantial financial effect on the municipality.
- 8.2. Municipal Manager agrees to inform the Acting CFO of the outcome of any decisions taken pursuant to the exercise of powers contemplated in 7.1 as soon as is practicable to enable the Acting CFO to take any necessary action without delay.

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9. MANAGEMENT OF OUTCOMES

- 9.1. The evaluation of the Acting CFO's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.
- 9.2. A performance bonus may be paid to the Acting CFO in recognition of outstanding performance, in accordance with performance policy/framework and system referred to in this contract
- 9.3. In case of unacceptable performance, Municipal Manager shall provide systematic remedial or developmental support to assist the Acting CFO to improve his performance; and
- 9.4. Where Municipal Manager is, at any time during the Acting CFO's employment, not satisfied with his/her performance with respect to any matter dealt with in this Agreement, Municipal Manager will give notice to the Acting CFO to attend a meeting with Municipal Manager.
- 9.5. The Acting CFO will have the opportunity at the meeting to satisfy Municipal Manager of the measures being taken to ensure that his/her performance becomes satisfactory and any programme including any dates for implementing these measures.
- 9.6. Where there is a dispute or difference as to the performance of the Acting CFO under this Agreement, the parties will confer with a view to resolving the dispute or difference.
- 9.7. If at any stage thereafter, Municipal Manager holds the view that the performance of the Acting CFO is not satisfactory, the municipality will, subject to compliance with applicable labour legislation, be entitled by notice in writing to the Acting CFO to terminate his/her employment in accordance with the notice period set out in his/her contract of employment.
- 9.8. Nothing contained in this Agreement in any way limits the right of the municipality to terminate the Acting CFO's contract of employment with or without notice for any other breach by the Acting CFO of his obligations to the municipality or for any other valid reason in law.

10. DISPUTES

- 10.1. In the event that the Acting CFO is dissatisfied with any decision or action of 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 Acting CFO has achieved the performance objectives and targets established in terms of this Agreement, he/she can meet with Municipal Manager with a view to resolving the issue. At the Acting CFO's request, Municipal Manager will record the outcome of the meeting in writing.

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10.2. In the event that the Acting CFO remains dissatisfied with the outcome of that meeting, he may raise the issue in writing with the Mayor by requesting that the issue be placed on the agenda of an appropriate meeting of the Exco. The Exco will determine a process for resolving the issue, which will involve at least providing the Acting CFO with an opportunity to state this case orally or in writing. At the Acting CFO's request the Exco will record its decision on the issue in writing. The decision of the Exco on the issue will be made within 2 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 Acting CFO in terms of his contract of employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

12. ACTING CFO'S PERSONAL DEVELOPMENT PLAN FOR THE PERIOD JULY 2012- JUNE 2013

Skills/performance gap (in order of priority)	Outcomes expected (measurable indicators)	Suggested training and/or development activity	Suggested mode of delivery	Suggested timeframes	Work opportunity to practice skills or development Area	Support person

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SIGNED at Groblersdal on this 02 day of July 2012

For: THE ELIAS MOTSOLEDI LOCAL MUNICIPALITY



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M.M MTSWENI
MUNICIPAL MANAGER

02/07/2012
.....
DATE

Witness: R. Mdluli

Witness: 02/07/2012.

SIGNED at Groblersdal on this _____ day of July 2012.



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PALMER R
ACTING CFO

02/07/2012
.....
DATE

Witness: [Handwritten Signature]

Witness: 02/07/2012.

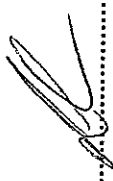
BUDGET AND TREASURY DEPARTMENT

"ANNEXURE A"

Projects	Weighting	Budget	Objectives/ Strategies	Key Performance Indicator	Baseline	Annual Target (12/13)	Target Q.1 30 Sept 12	Target Q.2 31 Dec 12	Target Q.3 30 Mar 13	Target Q.4 30 Jun 13	Measurement Source/ Evidence
Revenue enhancement			To foster financial sustainability	% increase of revenue collection as per budget	90%	95%	95%	95%	95%	95%	Quarterly reports
Assets and inventory management			Ensure compliance of assets management as per GRAP17	% accurate and complete billing.	60%	100%	100%	100%	100%	100%	Quarterly reports on monthly billing
Property rates			Ensure credible valuation roll by 30 June 2012	% compliance to assets standard	0,9:1	2:1	2:1	2:1	2:1	2:1	Favourable balance of current ratio on quarterly basis
Credit and debt management			To improve credit and debt management	% implementati on of valuation roll. % payment/ collection rate	Valuation Roll in place 73%	100%	100%	100%	100%	100%	Supplementar y valuation roll
				R amount of outstanding debtors recovered /hand over	R22m	R11m	1.1m	1.1m	4.4m	4.4m	Quarterly reports

Projects	Weighting	Budget	Objectives/Strategies	Key Performance Indicator	Baseline	Annual Target (12/13)	Target Q.1 30 Sept 12	Target Q.2 31 Dec 12	Target Q.3 30 Mar 13	Target Q.4 30 Jun 13	Measurement Source/Evidence
				R amount of the Debtors Book written-off	R 1.5m	R1m	0	0	0	R1m	Quarterly reports
Supply chain management			Ensure compliance to SCM regulations	% updated municipal database	70%	100%	100%	0	0	0	Quarterly reports
		% tenders awarded to SMME'S		30%	30%	30%	30%	30%	30%	30%	Report to council
		No of SCM reports submitted		4	4	1	1	1	1	1	Report to council
Budget				No. Of stores stock count conducted	4	4	1	1	1	1	Report to council
			To ensure budget is implemented as per approval	% monitoring of budget	100%	100%	100%	100%	100%	100%	Quarterly reports
Review of finance policies and strategies			To ensure alignment of policies to relevant legislation	No of finance policies and strategies reviewed	10	10	3	3	4	Approval	Quarterly reports

Projects	Weighting	Budget	Objectives/ Strategies	Key Performance Indicator	Baseline	Annual Target (12/13)	Target Q.1 30 Sept 12	Target Q.2 31 Dec 12	Target Q.3 30 Mar 13	Target Q.4 30 Jun 13	Measurement Source/ Evidence
MFMA implementation			Ensure compliance to MFMA regulations	% compliance with MFMA regulation	100%	100%	100%	100%	100%	100%	Quarterly reports/ budget steering committee
Annual Financial Statements			To ensure compliance with MFMA	% preparation of annual financial statements	AFS Signed- off by the Accounting Officer and submitted to the Auditor General	100% 31 August 2012	100%	0	0	0	Report to council
Audit opinion			To ensure improved audit opinion	% reduction of matters raised by AG and non recurrence of matters raised	Disclaimer audit opinion	Qualified audit opinion	25%	50%	100%	0	Report to council



 R PALMER
 ACTING CHIEF FINANCIAL OFFICER

02/07/2012

 DATE