



PERFORMANCE AGREEMENT

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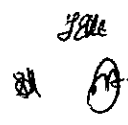
**MKHAMBATHINI LOCAL MUNICIPALITY
REPRESENTED BY THE MAYOR,
COUNCILLOR T E MAPHUMULO**

("the Employer")

and

**THE MUNICIPAL MANAGER,
MR. D. A PILLAY**

("the Employee")

S.L. 

PERFORMANCE AGREEMENT

1. Introduction

The Mkhambathini Local Municipality, established in terms of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998), conducting business at 18 Old Main Road, Camperdown, 3720, herein represented by the Mayor acting on behalf of the Municipality (hereinafter referred to as the Employer) has entered into a Contract of Employment with Mr D. A Pillay (hereinafter referred to as the Employee, and jointly referred to as the parties) in terms of Section 57 (1) (a) of the Local Government: Municipal Systems Act (Act No 32 of 2000).

Section 57 (1) (b) of the Municipal Systems Act, read with the Contract of Employment concluded between the parties, requires the parties to conclude a Performance Agreement annually.

The parties wish to ensure that they are clear about the goals to be achieved, and secure the commitment of the Employee reporting to the Mayor, to a set of objectives that will promote the goals of developmental local government.

2. Purpose of this agreement

The parties agree that the purpose of this Agreement is to:

- 2.1 Comply with the provisions of Sections 57(1) (b), (4) (a), (4) (b) and (5) of the Municipal Systems Act as well as the Employment Contract entered into between the parties;
- 2.2 Specify objectives and targets defined and agreed with the Employee and to communicate to the Employee the Employer's expectations of the Employee's performance and accountabilities in alignment with the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP) and the Budget of Mkhambathini Local Municipality.
- 2.3 Specify accountabilities as set out in the Performance Plan, which forms an annexure to this Agreement;
- 2.4 Monitor and measure performance against set targeted outputs;
- 2.5 Use the Performance Agreement as the basis for assessing whether the Employee has met the performance expectations applicable to his job;
- 2.6 In the event of outstanding performance, to appropriately reward the Employee; and
- 2.7 Give effect to the Employer's commitment to a performance-orientated relationship with its employees in attaining equitable and improved service delivery.

3. Commencement and duration

- 3.1 This Agreement commences on the date of signature by both parties, and will continue in force until a new Performance Agreement is concluded between the parties.
- 3.2 The parties will review the provisions of this Agreement during the month of June each year whereby a new Performance Agreement will be concluded not later than the last working day of July each year.
- 3.3 This Agreement will terminate on the termination of the Employee's Contract of Employment for any reason.
- 3.4 If at any time during the validity of this Agreement the work environment alters to the extent that the contents of the Agreement are no longer appropriate, the contents will, by mutual agreement between the parties, be reviewed.

4. Performance objectives

- 4.1 The attached Performance Plan, at Annexure A, sets out the performance objectives and targets that must be met by the Employee and the timeframes within which the targets must be met.
- 4.2 The performance objectives and targets reflected in Annexure A are set by the Employer in consultation with the Employee and are based on the Integrated Development Plan, Service Delivery and Budget Implementation Plans (SDBIPs) and the Budget of Mkhambathini Municipality.
- 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 progress towards achieving a key objective. The performance targets quantify the key performance indicators and set timeframes in which the work must be achieved. The weightings show the relative importance of the key objectives in relation to each other.
- 4.4 The Employee's performance will, in addition, be measured in terms of contributions to the goals and strategies set out in Mkhambathini Municipality's Integrated Development Plan.

5. Performance management system

- 5.1 The Employee agrees to participate in the performance management system that the Employer develops and implements in Mkhambathini Municipality.
- 5.2 The Employee accepts that the purpose of the performance management system is to provide a comprehensive system with specific performance standards to assist the Employer, Management and municipal staff to perform to the standards required.

- 5.3 The Employer will consult the Employee about the specific performance standards that will be included in the performance management system as applicable to the Employee.
- 5.4 The Employee undertakes to actively focus on the promotion and implementation of the key performance areas (KPAs) for which he is responsible, including special projects relevant to the Employee's responsibilities, within the local government framework.
- 5.5 The criteria upon which the performance of the Employee will be assessed consists of two components, both of which must be contained in the Performance Agreement. The Employee must be assessed against both components, with a weighting of 80:20 allocated to the KPA component and the core competency requirements (CCRs) respectively. Each area of assessment will be weighted and will contribute a specific part of the total score. The KPA component will cover the main areas of work and will account for 80% and CCRs will account for 20% of the final assessment.
- 5.6 The Employee's assessment will be based on his performance in terms of outputs (performance targets) reflected on the Performance Plan which are linked to relevant KPAs / CCRs, key objectives and key performance indicators (KPIs) as agreed to between the Employer and the Employee.
- 5.7 The KPAs relating to the Employee's functional area that will account for 80% of the Employee's assessment score are:
- a) Good governance and public participation
 - b) Basic service delivery
 - c) Financial viability and management
 - d) Local economic development services
 - e) Institutional development and transformation
 - f) Social development services
- 5.8 The CCRs that will make up the other 20% of the Employee's assessment score will include:
- a) Financial management;
 - b) People management and empowerment; and
 - c) Client orientation and customer focus.

6. Evaluating performance

- 6.1 The document entitled "Policy Framework for Managing Performance in Mkhambathini Municipality" sets out the procedures and intervals for evaluating the Employee's performance.

6.2 Despite the establishment of agreed intervals for evaluation, the Employer may in addition review the Employee's performance at any stage while the Employment Contract remains in force.

6.3 Personal growth and development needs identified during any performance review discussion must be documented in a Personal Development Plan as well as the actions agreed to and implementation must take place within set timeframes.

6.4 The annual performance appraisal must involve:

- a) An assessment of the achievement against each of the KPAs and CCRs contained in the Employee's Performance Plan. The KPAs and CCRs should be assessed according to the extent to which the specified standards or performance targets have been met and with due regard to *ad hoc* tasks that had to be performed.
- b) An indicative rating on the following five point scale must be allocated for each key objective that resorts under the applicable KPAs and CCRs:

Rating	Level of achievement	Description of standard
5	Outstanding performance	Performance far exceeds the standard expected of the Employee at this level. The appraisal indicates the Employee has achieved above fully effective results against all performance criteria and targets as specified in the Performance Plan and maintained this in all areas of responsibility throughout the year.
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and targets and fully achieved all others throughout the year.
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates the Employee has fully achieved effective results against all significant performance criteria and targets as specified in the Performance Plan.
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicates that the Employee has achieved below fully effective results against more than half the key criteria and targets as specified in the Performance Plan.
1	Unacceptable	Performance does not meet the standard expected for

	performance	the job. The review / assessment indicates that the Employee has achieved below fully effective results against almost all the performance criteria and targets as specified in the Performance Plan. The Employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.
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- c) After allocating a rating for each key objective under the applicable KPAs and CCRs the rating will be multiplied with the allocated weighting to provide a score for each key objective.
- d) The scores for each key objective will then be added-up and a percentage score will be calculated out of the total score achieved compared to the total maximum score that could be achieved. This percentage will represent the outcome of the performance appraisal.
- e) For purposes of evaluating the annual performance of managers directly accountable to municipal managers, an evaluation panel constituted of the following persons will be established:
 - (i) Mayor;
 - (ii) Chairperson of the Performance Audit Committee;
 - (iii) Member of the Executive Committee;
 - (iv) Mayor and / or Municipal Manager from another municipality; and
 - (v) Member of a Ward Committee as nominated by the Mayor.
- f) The Manager/Officer responsible for human resources in the Mkhambathini Municipality will provide secretarial services to the evaluation panel.

7. Schedule for performance reviews

- 7.1 The performance of the Employee in relation to his Performance Agreement will be reviewed on the following dates with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:

First quarter : July – September 2010
Second quarter : October – December 2010
Third quarter : January – March 2011
Fourth quarter : April – June 2011

- 7.2 The Employer will keep a record of the mid-year review and annual assessment meetings.

- 7.3 Performance feedback will be based on the Employer's assessment of the Employee's performance.
- 7.4 The Employer will be entitled to review and make reasonable changes to the provisions of the Performance Plan from time to time for operational reasons on agreement between both parties.
- 7.5 The Employer may also amend the provisions of the Performance Plan whenever the performance management system is adopted, implemented and/or amended as the case may be on agreement between both parties.

8. Development requirements

- 8.1 A Personal Development Plan that is aimed at addressing any skills gaps that the Employee might have forms part of this Agreement and is attached as Annexure B.

9. Obligations of the Employer

The Employer will:

- 9.1 Create an enabling environment to facilitate effective performance by the Employee;
- 9.2 Provide access to skills development and capacity building opportunities;
- 9.3 Work collaboratively with the Employee to solve problems and generate solutions to common problems that may impact on the performance of the Employee;
- 9.4 On the request of the Employee, delegate such powers reasonably required by the Employee, to enable him to meet the performance objectives and targets established in terms of this Agreement; and
- 9.5 Make available to the Employee such resources as the Employee may reasonably require from time to time assisting him to meet the performance objectives and targets established in terms of this Agreement.

10. Consultation

- 10.1 The Employer agrees to consult the Employee timeously where the exercising of the powers will have, amongst others:
 - a) A direct effect on the performance of any of the Employee's functions;
 - b) Commit the Employee to implement or to give effect to a decision made by the Employer; and
 - c) Have a substantial financial effect on Mkhambathini Municipality.
- 10.2 The Employer agrees to inform the Employee of the outcome of any decisions taken pursuant to the exercise of powers contemplated in

10.1 above as soon as is practicable to enable the Employee to take any necessary action without delay.

11. Management of evaluation outcomes

- 11.1 The evaluation of the Employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.
- 11.2 A performance bonus of 5% to 14% of the inclusive annual remuneration package may be paid to the Employee in recognition of outstanding performance. In determining the performance bonus the relevant percentage is based on the outcome of the performance appraisal described in clause 6.4 (d) above, provided that:
- a) A score of 70% to 80% is awarded a performance bonus ranging from 5% to 9%; and
 - b) A score of 81% and above is awarded a performance bonus ranging from 10% to 14%.
- 11.3 In the case of unacceptable performance the Employer will:
- a) Provide systematic remedial or developmental support to assist the employee to improve his performance; and
 - b) After appropriate performance counseling and having provided the necessary guidance and/or support and reasonable time for improvement in performance, and the Employee's performance does not improve, the Employer may consider steps to terminate the Contract of Employment of the Employee on grounds of unfitness or incapacity to carry out his duties.

12. Dispute resolution

- 12.1. Any disputes about the nature of the Employee's Performance Agreement, whether it relates to key responsibilities, priorities, method of assessment and/or salary increment in the Agreement, must be mediated by the MEC for Local Government and Traditional Affairs, or a person designated by the MEC, within thirty (30) days of receipt of a formal dispute from the Employee whose decision will be final and binding on both parties.
- 12.2. Any disputes about the outcome of the Employee's performance evaluation, will be mediated by the MEC for Local Government and Traditional Affairs, or a person designated by the MEC, within thirty (30) days of receipt of a formal dispute from the Employee whose decision shall be final and binding on both parties.

13. General

13.1 The contents of the Performance Agreement must be made available to the public by the Employer in accordance with the Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act.


13.2 Nothing in the Agreement diminishes the obligations, duties or accountabilities of the Employee in terms of his Contract of Employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.


Signed at CAMPERDOWN on this 10th day of August 2010.



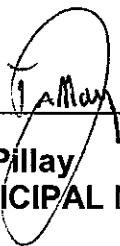
**T E Maphumulo (Cllr)
MAYOR**

AS WITNESSES:

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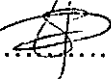
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Signed at CAMPERDOWN on this 10th day of August 2010.



**D A Pillay
MUNICIPAL MANAGER**

AS WITNESSES:

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2. 