

# **SENIOR MANAGEMENT SERVICES PERFORMANCE AGREEMENT**

**Mr. J.H. De Klerk**

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The Municipal Manager reporting to the Mayor  
("The Municipal Manager")

AND

**Mr. S.B Nkosi**

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The Chief Financial Officer reporting to the Municipal Manager  
("The Chief Financial Officer")

Financial year: 01 July 2012 - 30 June 2013



## PERFORMANCE AGREEMENT

### ENTERED INTO BY AND BETWEEN:

The Zululand District Municipality herein represented by the Municipal Manager (hereinafter referred to as the Employer or Supervisor)

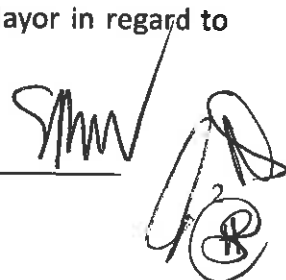
And

Mr. S.B Nkosi, Employee of the Municipality (hereinafter referred to as the Employee or Chief Financial Officer).

### WHEREBY IT IS AGREED AS FOLLOWS:

#### 1. INTRODUCTION

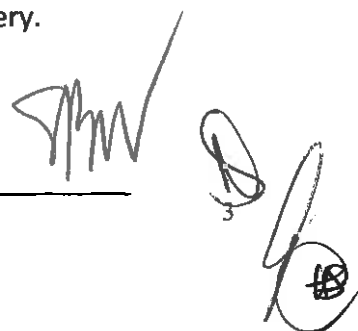
- 1.1 The Municipality has entered into a contract of employment with the Chief Financial Officer for a period of five (5) years, ending on 31 July 2016 in terms of section 57(1)(a) of the Local Government: Municipal Systems Act 32 of 2000 ("the Systems Act").
- 1.2 Section 57(1)(b) of the Systems Act, 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 outcomes that will secure local government policy goals.
- 1.4 The parties wish to ensure that the Municipal Manager will be responsible for facilitating the setting and evaluation of performance objectives and targets on behalf of the Municipality. The Municipal Manager shall report to the Mayor in regard to the above.

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## 2. PURPOSE OF THIS AGREEMENT

The purpose of this Agreement is to –

- 2.1 comply with the provisions of Section 57(1)(b), (4A), (4B) and (5) of the 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 the municipality.
- 2.3 specify accountability as set out in a performance plan, reflected as Annexure A to the performance agreement;
- 2.4 monitor and measure performance against set targeted outputs;
- 2.5 monitor and measure the core competencies against competency behavioural standards;
- 2.6 use the performance agreement as the basis for assessing whether the employee has met the performance expectations applicable to his or her job;
- 2.7 in the event of outstanding performance, to appropriately reward the employee;
- 2.8 proactively focus on the development of the Chief Financial Officer (Personal Development Plan – Annexure B);
- 2.9 give effect to the employer's commitment to a performance-orientated relationship with its employee in attaining equitable and improved service delivery.

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### **3. COMMENCEMENT AND DURATION**

- 3.1 This Agreement will commence on the 1<sup>st</sup> of July 2012 and will be applicable until the 31<sup>st</sup> of June 2013. This agreement will remain until a new Performance Agreement is concluded between the parties, if required during the performance cycle.
- 3.2 The parties will review the provisions of this Agreement during June each year. The parties will conclude a new Performance Agreement and Performance Plan that replaces this Agreement at least once a year by no later than the beginning of each successive financial year.
- 3.3 This Agreement should be read in conjunction with the Contract of Employment and this agreement will terminate on the termination of the Chief Financial Officer's Contract of Employment.
- 3.4 The content of this Agreement may be revised at any time during the above-mentioned period to determine the applicability of the matters agreed upon.
- 3.5 If at any time during the validity of this Agreement the work environment alters (whether as a result of government or council decisions or otherwise) to the extent that the contents of this Agreement are no longer appropriate, the contents shall immediately be revised.

### **4. PERFORMANCE OBJECTIVES**

- 4.1 The Performance Plan (Annexure "A") sets out:

4.1.1 The performance objectives and targets that must be met by the Chief Financial Officer ; and

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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 based on the Integrated Development Plan, Service Delivery and Budget Implementation Plan (SDBIP), and shall include key objectives, key performance indicators, target dates and weights.

4.3 The key objectives describe the main tasks that need to be done.

4.4 The key performance indicators provide a means to measure the extent to which a key objective has been achieved.

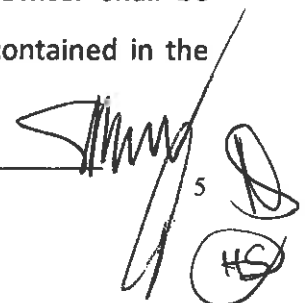
## 5. PERFORMANCE MANAGEMENT SYSTEM

5.1 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.

5.2 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.

5.3 The Municipal Manager undertakes to actively focus towards the promotion and implementation of the KPAs (including special projects relevant to the employee's responsibilities) within the local government framework.

5.4 The criteria upon which the performance of the Chief Financial Officer shall be assessed shall consist of two components, both of which shall be contained in the Performance Agreement.



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- 5.5 The Chief Financial Officer must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPAs) and the Core Competency Requirements (CCRs) respectively.
- 5.6 Each area of assessment will be weighted and will contribute a specific part to the total score.
- 5.7 KPAs covering the main areas of work will account for 80% and CCRs will account for 20% of the final assessment.
- 5.8 The Chief Financial Officer's assessment will be based on his performance in terms of the performance indicators identified as per attached Performance Plan (**Annexure A**), which are linked to the KPA's, and will constitute 80% of the overall assessment result as per the weightings agreed to between the Municipal Manager and the Chief Financial Officer.

<b>Key Performance Areas (KPA's)</b>	<b>Weighting</b>
Municipal financial viability and management	70%
Good governance and public participation	30%
<b>Total</b>	<b>100%</b>

- 5.9 The CCRs will make up the other 20% of the Chief Financial Officer's assessment score. Three of the CCRs are compulsory. CCR's that are deemed to be most critical for the Chief Financial Officer's specific job, as agreed to between the Municipal Manager and the Chief Financial Officer are as follow:

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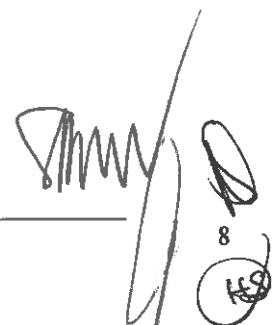
<b>COMPETENCY REQUIREMENTS</b>	<b>Tick if applicable</b>	<b>WEIGHT</b>
Strategic Capability	x	10%
Financial Management (Compulsory)	x	10%
Change Management		
Knowledge Management		
Problem solving and analyses	x	10%
Programme and project management	x	
Service Delivery Innovation		
People Management and Employment (Compulsory)	x	20%
Client orientation and customer focus (Compulsory)	x	10%
Communication		10%
Accountability and ethical conduct		
Policy conceptualisation and implementation	x	10%
Mediation skills		
Advanced negotiation skills		
Advanced influencing skills		10%
Partnership and Stakeholder Relations		
Supply Chain Management	x	10%
<b>Total percentage</b>		<b>100%</b>

## 6. EVALUATING PERFORMANCE

6.1 The Performance Plan (Annexure "A") to this Agreement sets out:

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- 6.1.1 the standards and procedures for evaluating the Chief Financial Officer performance; and
- 6.1.2 the intervals for the evaluation of the Chief Financial Officer performance.
- 6.2 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.
- 6.3 Personal growth and development needs identified during any performance review discussion must be documented in Personal Development Plan as well as the actions agreed to and implementation must take place within set time frames.
- 6.4 Any submission/achievement required in accordance with a KPI will be deemed to be submitted/achieved, only after the Municipal Manager was satisfied that the submission/achievement was of sufficient quality.
- 6.5 The annual performance appraisal will involve:
- 6.5.1 **Assessment of the achievement of results as outlined in the performance plan:**
- (a) 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.
  - (b) An indicative rating on the five-point scale should be provided for each KPA.
  - (c) The applicable assessment rating calculator must then be used to add the scores and calculate a final KPA score.



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### 6.5.2 Assessment of the CCRs

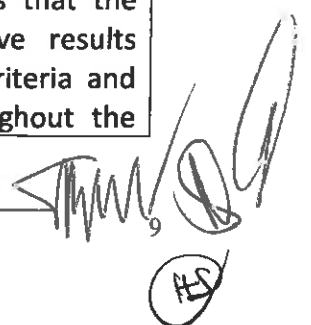
- (a) Each CCR should be assessed according to the extent to which the specified standards have been met.
- (b) An indicative rating on the five-point scale should be provided for each CCR
- (c) This rating should be multiplied by the weighting given to each CCR during the contracting process, to provide a score.
- (d) The applicable assessment rating calculator must then be used to add the scores and calculate a final CCR score.

### 6.5.3 Overall rating

- (a) An overall rating is calculated by using the applicable assessment-rating calculator. Such overall ratings represent the outcome of the performance appraisal.

6.5.4 The assessment of the performance of the Chief Financial Officer will be based on the following rating scale for KPA's and CCRs:

Level	Terminology	Description
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and 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 indicators and fully achieved all other throughout the



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		year.
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.
2	Not fully effective	Performance is below the standards required for the job in key areas. Performance meets some standards expected for the job. The review / assessment indicate that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.
1	Unaccepted performance	Performance does not meet the standards expected for the job. The review / assessment indicate that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and 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.

6.6 For purpose of evaluating the annual performance of the Chief Financial Officer an evaluation panel constituted of the following persons must be established –

- a) Municipal Manager;
- b) Chairperson of performance audit committee
- c) Member of the executive committee
- d) Municipal Manager from another municipality

6.7 The manager responsible for human resources of the municipality must provide secretariat services to the evaluation panel referred to in sub-regulations (d) and (e) of the Municipal Systems Act (Act no 32 of 2000).

## 7. SCHEDULE FOR PERFORMANCE REVIEWS

7.1 The performance of the employee in relation to his performance agreement shall be reviewed on the dates provided by the Municipal Manager and one member of the Executive Committee and in case of managers reporting to the Municipal Manager, the

Municipal Manager with the understanding that reviews in the first and third quarter may be verbal if performance is satisfactory:

<b>First quarter</b>	<b>:</b>	<b>October</b>
<b>Second quarter</b>	<b>:</b>	<b>January</b>
<b>Third quarter</b>	<b>:</b>	<b>April</b>
<b>Fourth quarter</b>	<b>:</b>	<b>July</b>

7.2 The Municipal Manager shall keep record of the mid-year review and annual assessment meetings.

7.3 Performance feedback shall be based on the Municipal Managers assessment of the Chief Financial Officer's performance.

7.4 The Municipal Manager will be entitled to review and make reasonable changes to the provision of Annexure A from time to time for operational reasons. The Chief Financial Officer will be fully consulted before any such change is made.

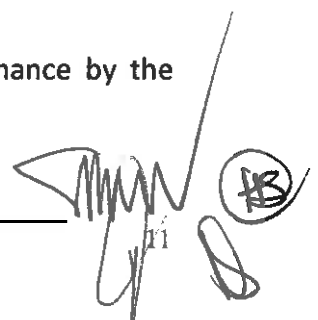
7.5 The Municipal Manager may amend the provisions of Annexure A whenever the Performance Management System is adopted, implemented and / or amended as the case may be. In that case the Chief Financial Officer will be fully consulted before any such change is made.

## **8. DEVELOPMENTAL REQUIREMENTS**

8.1 The Personal Development Plan (PDP) for addressing developmental gaps is attached as Annexure B.

8.2 The Employer shall –

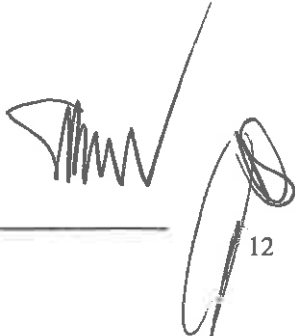
8.1.1 create an enabling environment to facilitate effective performance by the employee;

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- 8.1.2 provide access to skills development and capacity building opportunities;
- 8.1.3 work collaboratively with the Chief Financial Officer to solve problems and generate solutions to common problems that may impact on the performance of The Chief Financial Officer .
- 8.1.4 on request of the Chief Financial Officer delegate such powers reasonably required by the Chief Financial Officer to enable him to meet the performance objectives and targets established in terms of this Agreement; and
- 8.1.5 make available to the Chief Financial Officer such resources as the Chief Financial Officer may reasonably require from time to time to assist him to meet the performance objectives and targets established in terms of this Agreement.

## 9. CONSULTATION

- 9.1 The Municipal Manager agrees to consult the Chief Financial Officer timely where the exercising of the powers will have amongst others:



12

- 9.1.1 a direct effect on the performance of any of the Chief Financial Officer's functions;
- 9.1.2 commit The Chief Financial Officer to implement or to give effect to a decision made by the Municipal Manager; and
- 9.1.3 a substantial financial effect on the Municipality.

9.2 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 10.1 as soon as is practicable to enable the Chief Financial Officer to take any necessary action without delay.

## 10. MANAGEMENT OF EVALUATION OUTCOMES

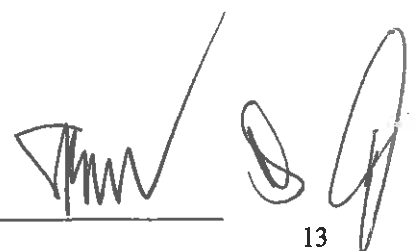
10.1 The evaluation of the Chief Financial Officer's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

10.2 A performance bonus for the Chief Financial Officer in recognition of outstanding performance to be constituted as follows:

- a) a score of 130% to 149% is awarded a performance bonus ranging from 5% to 9%; and
- b) a score of 150% and above is awarded a performance bonus ranging from 10% to 14%.

10.3 In the case of unacceptable performance, the Municipal Manager shall –

- a) provide systematic remedial or developmental support to assist the Chief Financial Officer to improve his or her performance; and



- b) after appropriate performance counselling and having provided the necessary guidance and / or support as well as reasonable time for improvement in performance, the Municipal Manager may consider alternative steps as advised through a formal disciplinary hearing.

## **11. DISPUTES RESOLUTION**


11.1 In the event that the employee is dissatisfied with any decision or action of the Council in terms of this Agreement, or where a dispute or difference arises as to the extent to which the employee has achieved the performance objectives and targets established in terms of this Agreement, the employee may meet with the employer with a view to resolving the issue.

11.2 During the meeting the employer will record the outcome of the meeting in writing.

11.3 If the parties could not resolve the issues as mentioned in 11.1 the matter should be referred to the Municipal Council (or any other person appointed by the Council provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e) of the Municipal Performance Regulations, 2006,) within thirty (30) days of receipt of a formal dispute from the Chief Financial Officer.

11.4 If the parties do not agree, the dispute may be referred to a mediator mutually agreed upon by both parties whose decision shall be final and binding on matters covered in this agreement.

11.5 In the event that the mediation process contemplated above fails, clause 20.3 of the Contract of Employment shall apply.



**12. GENERAL**

12.1 The contents of the Agreement and the outcome of any review conducted in terms of Annexure A may be made available to the public by the Municipality, where appropriate.

12.2 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.

12.3 The performance assessment results of the Chief Financial Officer must be submitted to the MEC for Local Government in the provincial government and the National Minister responsible for local government, within fourteen (14) days after the conclusion of the assessment.

Thus done and signed at **Ulundi** on this 2<sup>nd</sup> day of **July 2012**

**AS WITNESSES:**

1.  .....


2. ....

.....  
**MUNICIPAL MANAGER  
ZULULAND DISTRICT MUNICIPALITY**



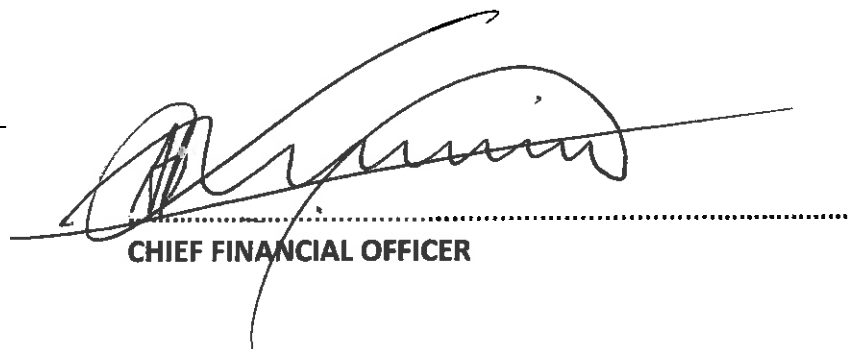
Signed at **Ulundi** on this 2<sup>nd</sup> day of **July 2012**

**AS WITNESSES:**

1.  .....

2. ....

.....  
**CHIEF FINANCIAL OFFICER**



**ANNEXURE A: PERFORMANCE PLAN FOR THE CHIEF FINANCIAL OFFICER 2012/2013**

N O	Objective	Indicator	ZDM SDBIP KPI no	Quarterly targets				Annual target (2012/2013)
				Q1	Q2	Q3	Q4	
Municipal financial viability and management				Total Weight				35%
1	Improve revenue collection	Outstanding service debtors recovery rate to revenue	16	0.25	0.25	0.25	0.25	0.25
2	Improve supply chain application	0 successful appeals	17	0	0	0	0	0
3	Process payments in time	30 days process time	18	30	30	30	30	30
4	Complete and submit accurate annual financial statements	Review and submit financial statements by 31 Aug	19	Submit financial statements by 31 Aug	Prepare and submit Financial Statements 30 days after quarter end	Prepare and submit Financial Statements 30 days after quarter end	Prepare and submit Financial Statements 30 days after quarter end	31 Aug
5	Complete and submit accurate annual financial statements	Unqualified audit opinion	20	Unq.	Unq.	Unq.	Unq.	Unq.
6	Budget for ZDM annually	Approved final budget	21			Budget tabled by 31 March	Submit approved budget to Treasury by 30 May	30 May
7	Effective auditing function	4 audit committee meetings	22	1	1	1	1	4

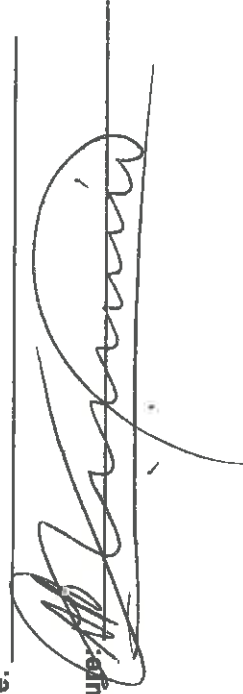


N O	Objective	Indicator	ZDM SDBIP KPI no	Quarterly targets				Annual target (2012/2013)
				Q1	Q2	Q3	Q4	
8	Effective auditing function	75% of queries addressed from AG report	23	75	75	75	75	75%
9	Develop financial plan	Approved financial plan	24			Table draft fin plan by 31 March	Submit financial plan for approval by 30 Jun	30 Jun
10	Increase the cost coverage ratio	Cost coverage ratio	25	3	3	3	3	3
11	Increase the debt coverage ratio	Debt coverage ratio	26	3	3	3	3	3
12	Provide sufficient cash resources	96% of operating budget funded from cash	27	96	96	96	96	96
13	Report timely and accurately	Approved annual report	28			Table annual report with Council by 25 Mar	Council Oversight report by 31 Mar	31 Mar
14	Produce accurate statements	% of accounts adjustments effected	29	3	3	3	3	3
15	Keep minimum cash balance to cover average monthly expenditure	60 days with excessive funds in current account	30	60	60	60	60	60 days

N O	Objective	Indicator	ZDM SDBIP KPI no	Quarterly targets				Annual target (2012/2013)
				Q1	Q2	Q3	Q4	
16	Align capital programme and IDP	% of capital projects budgeted for in accordance with the IDP	31	95	95	95	95	95%
<b>Municipal financial viability and management</b>				<b>Total weight</b>				<b>35%</b>
17	Spent grant funding	100% of allocated grant funds spent	48	100	100	100	100	100%
<b>Good Governance and Public Participation</b>				<b>Total weight</b>				<b>30%</b>
18	Improve governance	Approved fraud prevention strategy	49	Evaluate and assess the implemented strategy by 28 Sep	Evaluate and assess the implemented strategy by 31 Dec	Update draft strategy by 31 Mar	Submit revised strategy by 30 Jun	30 Jun
19	Mitigate risks	Approved risk management plan	53	Evaluate and assess the implemented strategy by 28 Sep	Evaluate and assess the implemented strategy by 31 Dec	Draft revised plan by 31 March	Submit plan for approval by 30 Jun	30 Jun

Municipal Manager's signature:

Chief Financial Officer signature:





**ANNEXURE B: PERSONAL DEVELOPMENT PLAN**

Competency to be addressed	Proposed actions	Responsibility	Time-frame	Expected outcome
Advanced project management	Course at reliable service provider	Municipal Manager	Quarter 4	Capable to strategise and to utilise techniques and processes necessary to manage successful projects.
Performance management	Capacity building on Local Government general performance management principles	Municipal Manager	Quarter 4	Capable to implement Local Government performance management effectively
Advanced Excel	Advanced project management	Course at reliable service provider	Quarter 1	Capable to utilise excel on an advanced level to be more efficient in service delivery
Basic Access	Advanced project management	Course at reliable service provider	Quarter 2	Capable to utilise Access on a basic level to be more efficient in service delivery

Signed and accepted by Chief Financial Officer

Date: 2/7/2012



Signed by the Municipal Manager on behalf of the Municipality \_\_\_\_\_

Date: .....

