

PERFORMANCE AGREEMENT

COMMENCING 01 July 2016

MADE AND ENTERED INTO BY AND BETWEEN

THE COUNCIL OF THE NEWCASTLE MUNICIPALITY

Herein represented by **Bhekani Errol Mswane**
in his duly authorised capacity as **Municipal Manager** of the **NEWCASTLE Municipality**

AND

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CHIEF AUDIT EXECUTIVE

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INTRODUCTION

1. (1) The Employer has entered into a contract of employment with the Employee in terms of section 57(1)(a) of the Local Government: Municipal Systems Act 32 of 2000 ("the Systems Act"). The Employer and the Employee are hereinafter referred to as "the Parties".
- (2) Section 57(1)(b) of the Systems Act, read with the Memorandum of Agreement of Employment concluded between the parties, requires the parties to conclude an annual Performance Agreement. The employer must conclude a Performance Agreement within 60 days of assumption of duty and renew it annually within one month of the commencement of the beginning of the financial year.
- (3) The parties will ensure that they are clear about the goals to be achieved, and secure the commitment of the Employee to a set of outcomes that will secure local government policy goals as defined in the municipal IDP.
- (4) The parties will ensure that there is compliance with Sections 57(4A), 57(4B) and 57(5) of the Systems Act.

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 Memorandum of Agreement of Employment entered into between the parties;
- 2.2 communicate to the Employee the Employer's performance expectations and accountabilities by specifying objectives and targets as defined in the IDP;
- 2.3 specify accountabilities as set out in the Performance Plan (in a format substantially compliant with Appendix "A");
- 2.4 monitor and measure performance against set targeted outputs;
- 2.5 appropriately reward the Employee in accordance with the Employer's performance management policy in the event of outstanding performance; and
- 2.7 give effect to the Employer's commitment to a performance-orientated relationship with the Employee in attaining equitable and improved service delivery.

3 COMMENCEMENT AND DURATION

- 3.1 This Agreement will commence on the 01 July 2016 and will remain in force in line with Employment agreement until the 30 June 2017, where after a new Performance Agreement, Performance Plan and Personal Development Plan shall be concluded between the parties for the next financial year or any portion thereof if applicable.

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3.2 The parties will review the provisions of this Agreement during June each year and will conclude a new Performance Agreement (and Performance Plan and Personal Development Plan) that replaces this Agreement at least once a year but not later than one month after the commencement of the new financial year, in line with the Employment Agreement.

3.3 This Agreement will terminate on the termination of the Employee's contract of employment for any reason.

3.4 The content of this Agreement may be revised at any time during the abovementioned 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.

3.6 Any significant amendments/ deviations referred to in 3.4 and 3.5 above must take cognisance of, where relevant, the requirements of sections 34 and 42 of the Systems Act, and must be done in terms of regulation 4 (5) of the Local Government: Municipal Performance Regulations for Municipal Managers and managers directly accountable to the Municipal Manager, 2006 ("the Regulations");

4 PERFORMANCE OBJECTIVES

4.1 The Performance Plan (Appendix "A") sets out-

4.1.1 the performance objectives and targets that must be met by the Employee; 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 Appendix "A" are set by the Employer in consultation with the Employee and based on the Integrated Development Plan and the Budget of the Employer, and shall 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 Employee's performance will, in addition, be measured in terms of contributions to the goals and strategies set out in the Employer's Integrated Development Plan.

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5 PERFORMANCE MANAGEMENT SYSTEM

5.1 The Employee agrees to participate in the performance management system that the Employer adopts or introduces for the Employer itself, management and municipal staff of the Employer.

5.2 The Employee accepts that the purpose of the performance management system will be 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.

6 The Employee agrees to participate in the performance management and development system that the Employer adopts.

6.1 The Employee 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.

6.2 The criteria upon which the performance of the Employee shall be assessed, shall consist of two components, both of which shall be contained in the Performance Agreement.

6.2.1 The Employee must be assessed against both components, with a weighting of 80:20 allocated to the Key Performance Areas (KPAs) and the Core Managerial Competencies (CMCs) respectively.

6.2.2 KPAs covering the main areas of work will account for 80% and CMCs will account for 20% of the final assessment.

6.2.3 Each area of assessment will be weighted and will contribute a specific part to the total score.

6.3 The Employee's assessment will be based on his/ her performance in terms of the outputs/ outcomes (performance indicators) identified as per attached Performance Plan (Appendix "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 Employer and Employee:

Key Performance Areas (KPA's)	Weighting
Basic Service Delivery	0%
Municipal Institutional Development and Transformation	20%
Local Economic Development (LED)	0%
Municipal Financial Viability and Management	10%
Good Governance and Public Participation	70%
Municipal Planning	%
Social Development	0%
Total	100%

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6.4 The Critical Leading Competencies (CLC) and Core Competencies requirements (CCR's) as per Annexure A of the Local Government : Competency Framework for Senior Managers will make up the other 20% of the Employee's assessment score. There is no hierarchical connotation and all competencies are essential to the role of a senior manager. All competencies must therefore be selected from the list below as agreed to between the Employer and Employee:-

CRITICAL LEADING COMPETENCIES		WEIGHT
Strategic Direction and Leadership	<ul style="list-style-type: none"> Impact and Influence Institutional Performance Management Strategic Planning and Management Organisational Awareness 	10%
People Management	<ul style="list-style-type: none"> Human Capital Planning and Development Diversity Management Employee Relations Management Negotiation and Dispute Management 	10%
Programme and Project Management	<ul style="list-style-type: none"> Program and Project Planning and Implementation Service Delivery Management Program and Project Monitoring and Evaluation 	10%
Financial Management	<ul style="list-style-type: none"> Budget Planning and Execution Financial Strategy and Delivery Financial Reporting and Monitoring 	10%
Change Leadership	<ul style="list-style-type: none"> Change Vision and Strategy Process Design and Improvement Change Impact Monitoring and Evaluation 	10%
Governance Leadership	<ul style="list-style-type: none"> Policy Formulation Risk and Compliance Management Co-operative Governance 	10%
CORE COMPETENCIES		
Moral Competence		10%
Planning and Organising		5%
Analysis and Innovation		5%
Knowledge and Information Management		5%
Communication		5%
Results and Quality Focus		10%
Total Percentage		100%

7. EVALUATING PERFORMANCE

7.1 The Performance Plan/scorecard (Appendix "A") to this Agreement sets out –

7.1.1 the standards and procedures for evaluating the Employee's performance; and

7.1.2 the intervals for the evaluation of the Employee's performance.

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

7.3 Personal growth and development needs identified during any performance review discussion must be documented in a Personal Development Plan (in a format substantially compliant with Appendix "B") as well as the actions agreed to, and implementation must take place within set time frames.

7.4 The Employee's performance will be measured in terms of contributions to the goals and strategies set out in the Employer's IDP.

7.5 The annual performance appraisal will involve:

7.5.1 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 (refer to paragraph 7.5.3 below) must then be used to add the scores and calculate a final KPA score.

7.5.2 Assessment of the CMCs

- (a)** Each CMC 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 CMC.
- (c)** The applicable assessment rating calculator (refer to paragraph 7.5.1 above) must then be used to add the scores and calculate a final CMC score.

7.5.3 Overall rating

An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal. (Calculator available on DPLG website.)

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7.6 The assessment of the performance of the Employee will be based on the following rating scale for KPA's and CMCs:

Level	Terminology	Description	Rating				
			1	2	3	4	5
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 others throughout the 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 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 performance criteria and indicators as specified in the PA and Performance Plan.					
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates 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.					

7.7 For purposes of evaluating the performance an evaluation panel constituted in terms of Regulation 27(4)(d)(e) and (f) will be established.

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8. SCHEDULE FOR PERFORMANCE REPORTING, MONITORING, EVALUATION AND REVIEW

8.1 The performance of the Employee in relation to his performance agreement shall be monitored and evaluated on the following dates (in line with the Performance Management Framework – as amended) with the understanding that informal and formal evaluations will be documented for each quarter. Quarterly evaluations will be subject to an internal audit process being concluded. Monthly reporting may be verbal and informal for the purposes of identifying areas for corrective action and/or review. The first and third quarter may be verbal if performance is satisfactory:

QUARTER	PERIOD	REVIEW TARGET DATE
First	July to September 2016	30 November 2016
Second	October to December 2016	28 February 2017
Third	January to March 2017	31 May 2017
Fourth /Annual	April 2015 to June 2017	30 September 2017

8.2 The Employer shall keep a record of the quarterly, mid-year review and annual assessment meetings.

8.3 The Employee is responsible for maintaining a Portfolio of Evidence, which must be made available at the informal and formal evaluation sessions, and for audit purposes

8.4 Performance scoring and feedback shall be based on the Employer's assessment of the Employee's performance against Actuals reported and evidence provided.

8.5 The Employer will be entitled to review and make reasonable changes to the provisions of Appendix "A" in line with Mid Year Assessment for operational reasons. The Employee will be fully consulted before any such change is made.

8.6 The Employer may amend the provisions of Appendix "A" whenever the performance management system is adopted, implemented and/or amended as the case may be. In that case the Employee will be fully consulted before any such change is made.



9. DEVELOPMENTAL REQUIREMENTS

The Personal Development Plan (PDP) for addressing developmental gaps is attached as Appendix "B". The PDP will be completed after the 1st quarter performance assessment, and quarterly assessments thereafter.

10. OBLIGATIONS OF THE EMPLOYER

10.1 The Employer shall –

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

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- 10.1.2 provide access to skills development and capacity building opportunities;
- 10.1.3 work collaboratively with the Employee to solve problems and generate solutions to common problems that may impact on the performance of the Employee;
- 10.1.4 on the request of the Employee delegate such powers reasonably required by the Employee to enable him/ her to meet the performance objectives and targets established in terms of this Agreement; and
- 10.1.5 make available to the Employee such resources as the Employee may reasonably require from time to time to assist him/ her to meet the performance objectives and targets established in terms of this Agreement.

11. CONSULTATION

11.1 The Employer agrees to consult the Employee timeously where the exercising of the powers will have amongst others –

- 11.1.1 a direct effect on the performance of any of the Employee's functions;
- 11.1.2 commit the Employee to implement or to give effect to a decision made by the Employer; and
- 11.1.3 a substantial financial effect on the Employee.

11.2 The Employer agrees to inform the Employee of the outcome of any decisions taken pursuant to the exercise of powers contemplated in 11.1 as soon as is practicable to enable the Employee to take any necessary action without delay.

12. MANAGEMENT OF EVALUATION OUTCOMES

12.1.1 The evaluation of the Employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance

12.1.2 A performance bonus may be paid in terms of section 32(2) of the Local Government : Municipal Performance Regulations and any other policy of Council,

12.2 In the case of unacceptable performance, the Employer must implement Procedures for dealing with substandard performance as prescribed in section 16 of the Local Government : Disciplinary Code and Procedures for Senior manager which is attached hereto as Appendix C.

13. DISPUTE RESOLUTION

13.1 Any disputes about the nature of the Employee's **performance agreement**, whether it relates to key responsibilities, priorities, methods of assessment, and/ or salary increment in the agreement, must be mediated by –

13.1.1 in the case of the Municipal Manager be mediated by the MEC for local government in the province, or any other person appointed by the MEC within thirty (30) days of receipt of a formal dispute from the employee; and



13.1.2 in the case of Managers directly accountable to the Municipal Manager, the Mayor, within thirty (30) days of receipt of a formal dispute from the Employee;

whose decision shall be final and binding on both parties.

13.2 Any disputes about the outcome of the employee's **performance evaluation**, must be mediated by -

13.2.1 In the case of the Municipal Manager be mediated by the MEC for local government in the province within thirty (30) days of receipt of a formal dispute from the Employee or any other person appointed by the MEC; and

13.2.2. In the case of Managers directly accountable to the Municipal Manager, a member of the municipal council, provided that such member was not part of the evaluation panel provided for in sub-regulation 27(4)(e), within thirty (30) days of receipt of a formal dispute from the employee;


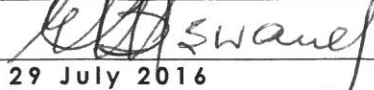

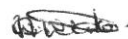
whose decision shall be final and binding on both parties.

14. GENERAL

14.1 The contents of this agreement and the outcome of any review conducted in terms of Appendix "A" must be made available to the public by the Employer (MFMA, 2003 and Section 46 of the Systems Act, 2000).

14.2 Nothing in this agreement diminishes the obligations, duties or accountabilities of the Employee in terms of his/ her contract of employment, or the effects of existing or new regulations, circulars, policies, directives or other instruments.

14.3 The performance assessment results of the Municipal Manager must be submitted to the MEC responsible for local government in the relevant province as well as the National Minister responsible for local government, within fourteen (14) days after the conclusion of the assessment.

Signed and accepted S Chenia	
Signed and accepted by BE Mswane	
Date Performance Plan signed	29 July 2016
Witness Number One : Name and Signature	BONGIWE 
Witness Number Two : Name and Signature	NOMVULA 

NEWCASTLE INDIVIDUAL PERFORMANCE INCUMBENT:							
INDIVIDUAL PERF REF NO.	SDBIP REF NO.	ORG.REF NO.	NATIONAL KEY PERFORMANCE AREA (KPA)	IDP PRIORITY PROGRAM	OBJECTIVES	ACTION PLAN	KEY PERFORMANCE INDICATOR
CAE001	MM045	GP8.1.2	Good Governance and Public Participation	Good Governance	To provide an independent internal audit activity that add value to the organization, and providing consulting services	To develop and implement risk-based internal audit plans in compliance with IIA standards and other applicable prescripts	Quarterly audit committee meetings held
CAE002			Good Governance and Public Participation	Good Governance	To ensure that all matters on the audit and management report are addressed	Clean audits Follow up on Auditor General management report and audit report queries to ensure that all issues on the report are addressed in accordance with Auditor General recommendations	%age of Follow ups finalised against AG Act Plan
CAE003	MM043	GP8.1.4	Good Governance and Public Participation	Good Governance	To ensure that good governance principles are implemented	To ensure that Audit Committee submit the reports to Council	Number of Audit committee reports to Council
CAE004	MM010	GP7.1.5	Good Governance and Public Participation	Good Governance	To ensure that good governance principles are implemented	Implementation of AG (AG Report and management report), and risk management Action (Strategic and Operational) plans	%age of actions on AG Action Plan (AG Report and management report) addressed as assessed by CRO quarterly
CAE005	MM011	GP7.1.2	Good Governance and Public Participation	Good Governance	To ensure that good governance principles are implemented	Implementation of AG (AG Report and management report), and risk management Action (Strategic and Operational) plans	%age of actions on Risk management Action Plan (Strategic and Operational) addressed assessed by CRO quarterly
CAE006			Good Governance and Public Participation	Good Governance	To ensure that good governance principles are implemented	Implement resolutions of Manco/EXCO/COUNCIL/AUDIT COMMITTEE/MPAC	Monthly reports on execution Manco/resolutions/EXCO/Council/ Audit Committee/MPAC
CAE007	MM044	GP8.1.1	Good Governance and Public Participation	Good Governance	To review and update internal audit and audit committees charters annually.	To review the internal audit committee charter	Annual review of audit charters by May 2017
CAE008	MM046	GP8.1.3	Good Governance and Public Participation	Good Governance	To provide an independent internal audit activity that add value to the organization, and providing consulting services	To ensure full implementation of internal audit annual plan.	%age completion of projects against internal audit plan per quarter
CAE009		GP7.1.6	Good Governance and Public Participation	Good Governance	To ensure that good governance principles are implemented	Monthly reports on compliance with legislation submitted to CRO	%age compliance with legislation as assessed by CRO quarterly
CAE010			Institutional Development and Transformation	Institutional Development and Transformation	To ensure optimal institutional structure to render effective and efficient service aligned to the IDP	To ensure a suitably skilled internal Audit Unit	% of employees trained within the unit
CAE011			Institutional Development and Transformation	Institutional Development and Transformation	To ensure good governance through openness, transparency and accountability	To ensure communications within the unit	Monthly meetings held within the unit
CAE012			Financial Viability	Financial Viability	To ensure that implementation of the approved budget for the unit	Quarterly monitoring of the expenditure against approved cash flows for the unit	%age of budget spent per approved cash flow