

Buffalo City Metropolitan Municipality

Performance Agreement

CHIEF FINANCIAL OFFICER



2014/15

PERFORMANCE AGREEMENT

MADE AND ENTERED INTO BY AND BETWEEN:

MR ANDILE FANI

In his capacity as City Manager of the Buffalo City Metropolitan Municipality

AND

MR VINCENT PILLAY

In his / her capacity as Chief Financial Officer

FOR THE

FINANCIAL YEAR 1 JULY 2014 – 30 JUNE 2015

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PERFORMANCE AGREEMENT

ENTERED INTO BY AND BETWEEN:

Mr Andile Fani in his capacity as City Manager (hereinafter referred to as the Employer)

and

Mr Vincent Pillay, in his capacity as Chief Financial Officer an Employee of the Buffalo City Metropolitan Municipality (hereinafter referred to as the Employee).

WHEREBY IT IS AGREED AS FOLLOWS:

1. 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 (herein after referred to as "the Systems Act"). The Employer and the Employee are hereinafter referred to as "the Parties."
- 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 Employee to a set of outcomes that will secure local government policy goals.
- 1.4. The parties wish to 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 Contract of Employment entered into between the parties;
- 2.2. Specify objectives and targets established for the Employee and communicate to the Employee the Employer's expectations of the Employee's performance expectations and accountabilities;
- 2.3. Specify accountabilities as set out in the Performance Plan (Annexure A);

- 2.4. Monitor and measure performance against set targeted outputs;
- 2.5. Use the Performance Agreement and Performance Plan as the basis for assessing whether the Employee has met the performance expectations applicable to the position;
- 2.6. 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 **1 July 2013** and will remain in force until **30 June 2014** 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.
- 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 not later than the beginning of each successive financial year.
- 3.3. This Agreement will terminate on the termination of the Employee's employment for any reason.
- 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 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 Annexure A are set by the Employer in consultation with the Employee and based on the Integrated Development Plan, the Service Delivery and Budget Implementation Plan and the Budget of the Employer; and include key objectives, key performance indicators, target dates and weightings.
- 4.3 The key objectives i.e. the main tasks that need to be done, the key performance indicators i.e. the evidence that must be provided to show that a key objective has been achieved, the target dates i.e. the timeframe in which the work must be achieved, and the weightings i.e. 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.

5. PERFORMANCE MANAGEMENT SYSTEM

- 5.1 The Employee hereby agrees to participate in the performance management system that the Employer adopts or introduces for the Employer, management and municipal staff of the Employer and to actively focus on the promotion and implementation of the KPAs (including special projects relevant to the Employee's responsibilities) within the local government framework.
- 5.2 The Employee hereby 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 hereby agrees to consult the Employee about the specific performance standards that are included in the performance management system as applicable to the Employee.

6 APPLICATION OF THE PERFORMANCE MANAGEMENT SYSTEM

- 6.1 The criteria upon which the performance of the Employee is assessed consists of two components, both of which are contained in this Performance Agreement.
- 6.1.1 The Employee will be assessed against both components, with a weighting of 80 allocated to the Key Performance Areas (KPAs) and 20 to Core Competency Requirements (CCR's).
- 6.1.2 Each area of assessment will be weighted and contribute a specific value to the total score.

6.1.3 KPAs covering the main areas of work will account for 80% and CCR's will account for 20% of the final assessment.

6.2 The Employee's assessment will be based on his performance in terms of the outputs / outcomes (performance indicators) identified in the Performance Plan (Annexure A), which are linked to the KPAs, and constitute 80% of the overall assessment result in accordance with the weightings agreed to between the Employer and the Employee and set out hereunder:

| Key Performance Areas (KPA's) | Weighting |
|--|-----------|
| Basic Service Delivery | 14 |
| Municipal Institutional Development and Transformation | 21 |
| Local Economic Development | 21 |
| Municipal Financial Viability and Management | 36 |
| Good Governance and Public Participation | 8 |
| Total | 100% |

6.3 The CCR's make up the remaining 20% of the Employee's assessment score and those CCR's deemed to be most critical for the Employee's specific job are selected (✓) hereunder and agreed to between the Employer and Employee:

| CORE COMPETENCY REQUIREMENTS FOR EMPLOYEES (20% of Total) | | |
|--|------------------------|--------|
| CORE MANAGERIAL COMPETENCIES (CMC) | ✓ (Indicate choice) | WEIGHT |
| Strategic Capability and leadership | essential | 10 |
| Programme and Project Management | essential | 5 |
| Financial Management | compulsory | 20 |
| Change Management | | |
| Knowledge Management | | |
| Service Delivery Innovation | | |
| Problem Solving and Analytical Thinking | essential | 10 |
| People Management and Empowerment | compulsory | 5 |
| Client Orientation and Customer Focus | compulsory | 10 |
| Communication | essential | 5 |
| Honesty and Integrity | | |
| CORE OCCUPATIONAL COMPETENCIES | | |
| Competence in Self Management | essential | 5 |
| Interpretation of and implementation within the legislative and national policy frameworks | essential | 10 |
| Knowledge of developmental local government | | |
| Knowledge of Performance Management and Reporting | | |

| | | |
|--|-----------|------|
| Knowledge of global and South African specific political, social and economic contexts | essential | 10 |
| Competence in policy conceptualization, analysis and implementation | | |
| Knowledge of more than one functional municipal field discipline | | |
| Skills in Mediation | | |
| Skills in Governance | | |
| Competence as required by other national line sector departments | | |
| Exceptional and dynamic creativity to improve the functioning of the municipality | essential | 10 |
| TOTAL | | 100% |

7 EVALUATING PERFORMANCE

7.1 The Performance Plan (Annexure A) attached to this Agreement sets out-

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

7.1.2 The intervals at which an evaluation of the Employee's performance will be performed.

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

7.3 Personal growth and development needs identified during a performance review will be documented in a Personal Development Plan which shall also set out the actions and time frames agreed to relate thereto.

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 An assessment of the achievement of results as outlined in the performance plan as indicated hereunder;

(a) Each KPA will 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 will be provided for each KPA based on the the assessment rating calculator set out in the scorecard used where after the scores will be summated to calculate a final KPA score.

7.5.2. Assessment of the CCR's

- (a) Each CCR's will be assessed according to the extent to which the specified standards have been met.
- (b) An indicative rating on the five-point scale will be provided for each CCR's.
- (c) Based on the assessment rating calculator set out in the scorecard used where after the scores will be summated to calculate a final CCR's score.

7.5.3. An overall rating

An overall rating is calculated by using the applicable assessment-rating calculator. Such overall rating represents the outcome of the performance appraisal.

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

| 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 the purposes of evaluating the annual performance of the Employee, an evaluation panel constituted of the following persons will be established-

- 7.1. Municipal Manager
- 7.2. Chairperson of the performance audit committee or the audit committee in the absence of a performance audit committee;
- 7.3. Ward Committee member (on a rotational basis), where applicable;
- 7.4. A member of the Mayoral Committee; and
- 7.5. A Municipal Manager from another municipality.

8. SCHEDULE FOR PERFORMANCE REVIEWS

8.1. The performance of the Employee 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 2014 |
| Second quarter | : | October - December 2014 |
| Third quarter | : | January - March 2015 |
| Fourth quarter | : | April - June 2015 |

- 8.2. The Employer shall maintain a record of the mid-year review and the annual assessment meetings.
- 8.3. Performance feedback based on the Employer's assessment of the Employee's performance will be provided to the Employee.
- 8.4. The Employer or the Employee will be entitled to review and make reasonable changes to the provisions of Annexure "A" from time to time for operational reasons subject to consultation and agreement between the parties before any such change is concluded.

9. DEVELOPMENTAL REQUIREMENTS

The Personal Development Plan (PDP) addressing development gaps is attached as Annexure "B".

10. OBLIGATIONS OF THE EMPLOYER

- 10.1. The Employer shall and agrees to –
- 10.1.1. create an enabling environment to facilitate effective performance by the Employee;
- 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 or her to meet the performance objectives and targets established in this Agreement;
and
- 10.1.5. make available to the Employee such resources as the Employee may reasonably require from time to time to meet the performance objectives and targets established in this Agreement.

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11. CONSULTATION

11.1. The Employer agrees to consult the Employee timeously where the exercising of any of the powers or decisions of the Council will have or result in, amongst others, –

11.1.1. a direct impact 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 impact on the Employee or on the budget under the control of 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. The evaluation of the Employee's performance will form the basis for rewarding outstanding performance or correcting unacceptable performance.

12.2. A performance bonus of between 5% to 14% of the inclusive annual remuneration package for the year under consideration may be paid to the Employee in recognition of outstanding performance.

12.4. In the case of unacceptable performance, the Employer shall–

12.4.1. provide systematic remedial or developmental support to assist the Employee to improve his or her performance; and

12.4.2. after appropriate performance counselling, and having provided the necessary guidance and/ or support as well as reasonable time for improvement in performance, the Employer may consider steps to terminate the contract of employment of the Employee on grounds of unfitness or incapacity to carry out his / her duties.

13. DISPUTE RESOLUTION

13.1 Any disputes about the nature or content of the Employee's Performance Agreement, whether it relates to key responsibilities, priorities, methods, assessments and / or any other matter provided for, shall be mediated by –

13.1.1. the Executive Mayor, within thirty (30) days of receipt of a formal dispute from the Employee; or

13.1.2. any other person appointed by the Executive Mayor.

13.6. In the event that the mediation process contemplated above fails, clause 19.3 of the Contract of Employment shall apply.

14. GENERAL


14.1. The contents of this Agreement and the outcome of any review conducted in terms of Annexure A (Performance Plan) will be made available to the public by the Employer.

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

Thus done and signed at East London on the 24th day of June 2014.

AS WITNESSES:

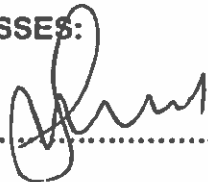
1. .....


Employee
V. Pihlmy

2. .....

Thus done and signed at East London on the 25 day of June 2014.

AS WITNESSES:

1. .....


Municipal Manager

2. .....

| PERFORMANCE PLANS 14/15 | | Level | | Description | | | | | | | | | | |
|---|-------|--|---------------|----------------|---|----------------|---|---|--|--|--------------------------------------|--|---|---|
| | 5 | | | | 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 is significantly higher than the 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. | | | | | | | | | |
| DIRECTOR: CHIEF FINANCIAL OFFICER | 3 | | | | Performance fully meets 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 and fully achieved all others throughout the year | | | | | | | | | |
| MR VINCENT PILLAY | 2 | | | | 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 PA and Performance Plan. | | | | | | | | | |
| | 1 | | | | 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. | | | | | | | | | |
| 1.KPA:MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT | | | | | | | | | | | | | | |
| Capacitated and structured to enable effective and sustainable service delivery | NFR | Capacitated and structured to enable effective and sustainable service delivery | Strategy Code | Indicator Type | Key Performance Indicator | Indicator Type | Baseline 2013/14 (To be confirmed at the of the financial year 2013/14) | 2014/15 Target | Quarter 1 Target - Ending September 2014 | Quarter 2 Target - Ending December 2014 | Quarter 3 Target - Ending March 2015 | Quarter 4 Target - Ending June 2015 | Portfolio of Evidence | Portfolio of Evidence |
| Roll-out indigent scheme to all indigent household in BCM | MFVM5 | Implement indigent Policy | MFVM5 | Process | Verify sign off and submit performance reports together with POE Files lineously | Process | 4 | 4 | 1 | 1 (2) | 1 (3) | 1 (4) | Directorate institutional scorecard and service target and performance indicators | Directorate institutional scorecard and service target and performance indicators |
| Roll-out of performance management to all task grades | NFR | Signed performance Management Scorecards between staff & Supervisors up to task Grade 15 | NFR | Process | 6-monthly assessment of staff | Process | Applicable only to section 57 employees | Implement system from City Manager to Task Grade 15 | Progress reports | Assessment of all staff from City Manager to Task Grade 15 | Progress reports | Assessment of all staff from City Manager to Task Grade 15 | Signed performance Agreements for Planning phase in Place | Signed Performance scorecards for the 15 first review |
| Roll-out indigent scheme to all indigent household in BCM | MFVM5 | Implement indigent Policy | MFVM5 | Input | % of households provided with access to Free Basic Electricity | Input | 29.07% (65 000) | 31.3% (70 000) | 29.63% (250) | 30.19% (500) | 30.75% (68 750) | 31.30% (000) | Approved Indigent Register | Approved Indigent Register |
| To ensure that BCM is financially viable | MFVM5 | Accelerate implementation of grant / capital projects | MFVM5 | Input | % of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan | Input | >75% | >80% | 10% | 25% | 70% | >80% | Section 71 Report | Section 71 Report |
| | | | | | | | 29% | 29.3% | 29.15% | 29.40% | 29.51% | 29.30% | Approved Indigent Register | Approved Indigent Register |
| | | | | | | | (6-4000) | (65500) | 375) | 750) | (65 125) | (65 500) | Approved Indigent Register | Approved Indigent Register |
| | | | | | | | | | | | | | Section 71 Report | Section 71 Report |

| Specific Objective | Strategies | Strategy Code | Key Performance Indicator | Indicator Type | Baseline 2013/14 (To be confirmed at the end of the financial year 2013/14) | 2014/15 Target | Quarter 1 Target - Ending September 2014 | Portfolio of Evidence | Quarter 2 Target - Ending December 2014 | Portfolio of Evidence | Quarter 3 Target - Ending March 2015 | Portfolio of Evidence | Quarter 4 Target - Ending June 2015 | Portfolio of Evidence |
|---|--|---------------|--|----------------|---|--|---|--------------------------------------|---|--------------------------------------|--|--------------------------------------|--|--------------------------------------|
| KPA 4. MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
| To ensure that BCMM is financially viable | Maintenance of Credit rating at better than A | MFVM3 | Credit rating maintained | Output | A1-/A | > A | > A | Rating report | > A | Rating report | > A | Rating report | > A | Rating report |
| | Implement revenue enhancement strategies | MFVM3 | % revenue collection rate as measured in accordance with the MSA Performance Regulations | Input | 92% | 93% | 92.25% | Monthly Section 71 Report to Council | 92.50% | Monthly Section 71 Report to Council | 92.75% | Monthly Section 71 Report to Council | 93.00% | Monthly Section 71 Report to Council |
| | Maintain favourable cash management procedures | MFVM3 | Cash is available for regular commitments (Current ratio) | Input | 1.55:1 | 1.6:1 | 1.6:1 | Per calculation | 1.6:1 | Per calculation | 1.6:1 | Per calculation | 1.6:1 | Per calculation |
| KPA 4. MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
| To ensure that BCMM is financially viable | Maintain favourable cash management procedures | MFVM3 | Debt coverage ratio | Input | >20 times | >20 times | >20 times | Per calculation | >20 times | Per calculation | >20 times | Per calculation | >20 times | Per calculation |
| | Maintain long term borrowings below NT threshold | MFVM3 | Debt to revenue ratio | Input | <35% | <35% | <35% | Per calculation | <35% | Per calculation | <35% | Per calculation | <35% | Per calculation |
| | | MFVM3 | Outstanding service debtors to revenue ratio | Input | <32% | <32% | <32% | Per calculation | <32% | Per calculation | <32% | Per calculation | <32% | Per calculation |
| Roll out indigent scheme to all indigent households in BCMM | | MFVM3 | Cost coverage | Input | >3 x fixed operating expenditure | >3 x fixed operating expenditure | >3 x fixed operating expenditure | Per calculation | >3 x fixed operating expenditure | Per calculation | >3 x fixed operating expenditure | Per calculation | >3 x fixed operating expenditure | Per calculation |
| | Implement Indigent Policy | MFVM3 | % of households provided with access to Free Basic Electricity | Input | 29% (64000) | 29.3% (65500) | 29.16% (64375) | Approved Indigent Register | 29.40% (64750) | Approved Indigent Register | 29.51% (65125) | Approved Indigent Register | 29.30% (65500) | Approved Indigent Register |
| | | MFVM3 | | | | | | | | | | | | |
| 5. KPA: GOOD GOVERNANCE | | | | | | | | | | | | | | |
| Compliance with all applicable accounting standards | Implementation of the Audit Improvement Plan | MFVM1 | Opinion of the Auditor General | Input | Qualified Audit Report | Implementation of the Audit Improvement plan | Submit 2014 AFS to AG by 29 August 2014 & submit 2014 CONS AFS to AG by 30 September 2014 | Completed unaudited 2014 AFS | Submit 2014 Revised AFS & 2014 Revised Cons AFS to AG | Completed audited 2014 AFS | Prepare & distribute the 2014 Audit Improvement Plan | 2014 Audit Report | Implementation of the Audit Improvement plan | Input into the AIP |
| | | | | | | | | | | | | | | |
| MUNICIPAL MANAGER: A. FANI | | | | | | | | | | | | | | |
| DIRECTOR FINANCIAL SERVICES: MR. V. PILLAY | | | | | | | | | | | | | | |
| SIGNATURE: _____ | | | | | | | | | | | | | | |
| DATE: 26/06/14 | | | | | | | | | | | | | | |
| SIGNATURE: <i>July</i> _____ | | | | | | | | | | | | | | |
| DATE: 24/06/2014 | | | | | | | | | | | | | | |