

# **MOGALE CITY LOCAL MUNICIPALITY**

**ANNEXURE 26**

## **SUPPLIER PERFORMANCE MONITORING POLICY**

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## 1. DEFINITIONS

### 1. ACCOUNTING OFFICER

In relation to a municipality, means the municipal official referred to in Section 60 of the Municipal Finance Management Act No. 56 of 2003; and includes a person acting as the accounting officer.

### 2. CIDB

Construction Industry Development Board

### 3. CLIENT DEPARTMENT

The department that has requested the contract

### 4. EMPLOYER'S REPRESENTATIVE

Municipal Employee: Municipal Manager, Manager, Senior Manager and Manager. This person will be from the client department, if an implementing department for the contract exists, otherwise the Employee's representative will be from the implementing department.

### 5. IMPLEMENTING DEPARTMENT

The department that is implementing the contract on behalf of the client department in some cases the client and implementing departments will be the same.

### 6. MUNICIPALITY

Mogale City Local Municipality

### 7. MUNICIPAL SERVICE

A service that a municipality in terms of its powers and functions provides to or for the benefit of the local community.

### 8. REPORTING OFFICER

The municipal employee who is responsible for managing the service delivery agreement or contract and who will complete the performance assessment forms.

### 9. SERVICE DELIVERY AGREEMENT

An agreement between a municipality and an institution or person mentioned in section 76 (b) in terms of which a municipal service is provided by that institution or person, either to the Municipality or on behalf of the Municipality.

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10. SERVICE PROVIDER PERFORMANCE ASSESSMENT FORM

A form that identifies the competencies and key performance indicators that will be monitored and reported on

11. SERVICE PROVIDER

Any person, institution or company that provides a service to or on behalf of the municipality

12. SUPPORTING SERVICE

A service that is provided to support a municipal service

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## 2. PREAMBLE

In preparation of this policy, Performance Monitoring of Service Providers, the following were consulted:

- Legislation
- Regulations of Acts
- Mogale SCM Policies
- Service Providers
- Legal Services
- Council
- Mogale City staff

This policy will only apply to contracts that have been awarded or reviewed after adoption of this policy.

The implementation of the policy, once adopted, will be all contracts value greater than R 200, 000.00

## 3. PURPOSE

The purpose of this document is to set the framework for monitoring the performance of service providers of the Mogale Local Municipality.

Service providers play a vital role in the performance of the organization as many municipal services and supporting services are outsourced to service providers. The Municipality is responsible for ensuring effective and efficient service delivery to the community. Therefore there is a need to monitor the performance of service providers.

The objective of performance monitoring of service providers is to obtain a measure of the service provider's performance under the contract. Performance assessments during the course of a contract help both the Municipality and the service provider to reach a common understanding of the requirements of both parties about the work.

A rigorous reporting system is an excellent tool to provide feedback to a service provider on its performance on each project. It helps to identify areas that the Service Provider is excelling in and any areas that need improvement.

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Performance reports can be used in the assessment of a service provider for pre-qualification, selective tender list, registration, tender evaluation and— in the event of termination— for unsatisfactory performance under a contract.

Further, business support strategies and interventions can be appropriately tailored to achieve government's developmental objectives for targeted enterprises.

The objectives of this policy are to:

- ensure a high quality of service is maintained
- detect underperformance early, thereby reducing the risks to projects
- create mechanisms to improve performance where targets are not being achieved
- provide data to municipal officials so that informed decisions can be made
- assist in government's developmental objectives in the form of structuring appropriate business support strategies/interventions to targeted enterprises
- assess the suitability of a service provider for pre-qualification, selective tender lists or expressions of interest.

#### **4. PROBLEM STATEMENT**

A municipal service can be provided by the Municipality by entering into a Service Delivery Agreement in terms of Section 76(b) of the Municipal System Act 32 of 2000 with an external service provider.

The Municipality is responsible for monitoring and assessing the Implementation of the agreement, including the performance of the service provider in accordance with section 41 of the Municipal Systems Act 32 of 2000

The performance of service providers that have been selected to provide assistance in the provision of a municipal service, otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies, is required, by Section 116 of the Municipal Finance Management Act, to be monitored and reported on.

While departments have mechanisms in place to monitor the work done by service providers, there is no standard guideline set by the Municipality.

This policy sets out the framework on monitoring and reporting on the performance of service providers.

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## 5. POLICY

- (1) All service providers or prospective service providers must be made aware of:
- Assessment and reporting of a service provider's performance;
  - the use of the service provider performance reports when evaluating service providers for registration, pre-qualification, selective tender list, expressions of interest or awarding of a contract; and
  - the exchange of information on service provider performance reports between government units/departments.

- (2) The appointed service provider must be given the opportunity to discuss the performance criteria with the Implementing Department/Project

Manager before commencement of the contract. Any amendments must be agreed to by the following parties:

- Service Provider
- Client/Implementing Department

The decision to change a criterion after commencement of a contract is the responsibility of the Reporting Officer after consultation with the Head of the Department.

These amendments must be signed by the service provider and the implementing department and attached to the contract or service delivery agreement. (SLA)

- (3) A service provider's performance must be assessed in the context of the project as a whole. The respective roles and obligations of the Municipality and service provider under the contract must be taken into account.

- (4) Persons preparing or reviewing the performance of a service provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are:

- outside the service provider's control, or
- the result of some action by the Municipality.

That is, evaluation against performance criteria must measure the service provider's performance, after taking into account matters beyond the service provider's control.

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- (5) If there is evidence that the underperformance or non-performance of the service provider is due to factors caused by the Municipality then:
- there will be no penalization of the service provider
  - the Accounting Officer, or delegated official, must take corrective action where necessary.
- (6) The performance assessment reports will be made available to inter-departmental, inter-governmental departments and the CIDB (where applicable) only:
- (a). on completion of a contract; and
  - (b). if there are no pending disputes.
- (7) The Service Provider must be notified of the assessment.
- (8) The Service Provider may respond on the assessment, in writing, and this must be filed with the assessment.
- (9) The conditions of appointment set in the contract will determine what action will be taken against the service provider if underperformance or non-performance is detected.
- (10) Appropriate key performance indicators for the contract must be set by the Municipality as a yardstick for measuring performance
- (11) Measurable targets must be set for each key performance indicator.
- (12) The SMART principle as laid out in the Municipality's Organizational Performance Framework must be followed in developing key performance indicators.
- (Specific, Measurable, Achievable, Realistic, Time-framed)
- (13) The key performance indicators must be reviewed annually.
- (14) The management of the contract or agreement and the performance of the service provider must be reported quarterly to the Council of the Municipality – Annexure A.
- (15) The performance information must be audited
- (a). as part of the municipality's internal auditing process; and
  - (b). annually by the Auditor-General.

#### **Support provided by the Municipality in underperforming areas**

- (16) The Municipality will facilitate support interventions to service
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providers in the identified areas of underperformance.

- (17) Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
- (18) The support interventions may be:
  - (a). sponsored by the Municipality,
  - (b). subsidized by the Municipality; or
  - (c). paid for by the attending service provider.
- (19) Records of support interventions and attendance registers must be signed by all parties and filed.
- (20) The impact of the support interventions provided by the Municipality to the service provider must be monitored.

**Roles and responsibilities of municipal officials**

- (21) The table below outlines the roles and responsibilities of municipal officials

ROLE	RESPONSIBILITY
Reporting Officer	<ul style="list-style-type: none"> <li>➤ Line Departments</li> <li>➤ Monitor and assess work done or service provided as per the service delivery agreement or contract</li> <li>➤ <b>Report on the performance of the service provider.</b></li> </ul>
Reviewing Officer	<ul style="list-style-type: none"> <li>➤ Review the assessment made by the reporting officer</li> </ul>
Supply Chain Management	<ul style="list-style-type: none"> <li>➤ Manage the performance monitoring process</li> <li>➤ <b>Report on contract management and service provider performance to council quarterly</b></li> <li>➤ Report to Council annually on the performance of service providers</li> <li>➤ <b>Investigate and report on the impact of the interventions on areas of underperformance as part of the quarterly and annually report.</b></li> <li>➤ <b>Review the policy and process annually.</b></li> <li>➤ Liaise with Business Support Unit on interventions for underperforming areas.</li> </ul>
Accounting Officer: Delegated to performance Management Unit.	<ul style="list-style-type: none"> <li>➤ Ensure that KPI's are included in the appropriate Individual Performance Plan of the Municipal Official.</li> <li>➤ <input type="checkbox"/> Review the policy and process annually.</li> <li>➤ <b>Facilitate the quarterly and annual report to internal audit.</b></li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>➤ Audit the performance information.</li> </ul>

## **6. PROCEDURE**

- (1) The requirements of this policy must be included in the contract of the service provider.
- (2) The performance of the contractor under the contract or agreement must be assessed monthly by the Reporting Officer.
- (3) The assessment must be filed in the contract file or captured onto the database.
- (4) The Reporting Officer must complete the Service Provider Assessment Form on the database at the end of each quarter and on completion or termination of the contract.

(Refer to Annexure B for the Service Provider Assessment Form )

- (5) The Reviewing Officer must review the assessment on the database for each quarter.
- (6) The quarterly assessment must be completed within 7 working days after the end of each quarter.
- (7) The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period.
- (8) Supply Chain Management Unit will review the quarterly Service Provider Assessments within 20 days after the end of each quarter..

## **7. POLICY EVALUATION AND REVIEW**

The policy will be reviewed annually by Supply Chain Management. This will include a review of the policy document

## **STANDARD PERFORMANCE CRITERIA AND EVALUATION**

If the contract falls within the threshold of R200 000,00 and above, performance management should be performed. The performance criteria should be listed in the contract documents.

Projects of service delivery vary in terms of implementation; therefore other performance criteria may be added to the ones indicated in this policy.

Directorates will be allowed to develop additional assessment criteria and such addition shall be incorporated in the contract document and approved by the Accounting Officer.

The recommended performance gradings are outlined in this document.

Should it come to the attention of Council during the assessment that there is a material breach of contract by the service provider; sanctions will be imposed against that service provider. Sanctions might include reporting the matter to National Treasury for blacklisting and to South African Police Services if fraud and corruption has been detected.

Contract should have contracts period, which is the start of the project and the end of the project. The agreed milestones for intermediate phases of work or services or goods to be provided as well as the completion time for the overall engagement should be met.

The work plan forms the basis for assessing the service provider`s ability to manage time.

For some engagements, the only available measure of time management is the completion of the work by the stated completion period.

In assessing the service provider`s time management performance the following should be considered:

- (a) Ability to meet programmed milestones,
- (b) Timely allocation of resources to critical activities,
- (c) Updating of the work program to account for unforeseen delays,
- (d) Overall progress of the work,
- (e) Timely submission of meaningful progress reports,

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#### Standard of service.

Description	Weight	Scores
Standard of service.	20 %	< 10 =poor 15 =acceptable 18=Good 20 =Exceptional

Standard of work will generally be measured against the technical, financial, and reporting requirements set out in the conditions of engagements. In particular, the following should be considered:

- (a) Compliance with the contract or brief,
- (b) Quality of works including conformance with specified criteria, if applicable,

- (c) Achievement of contract standard,
- (d) Adherence to budget,
- (e) Reviews and reports delivered in accordance with the brief,
- (f) Amount of rework required from the service provider,
- (g) Need to engage another service provider to undertake additional or remedial work,
- (h) Extent of involvement required from the consultant or client to achieve the desired standard of works,

Assessment items include:

- (a) Adoption and commitment to partnering principles with clients, consultants, sub-contractors, and suppliers,
- (b) Commitment and implementation of a management approach that fosters continuous improvements, self assessments and general industry standards,
- (c) Commitment to resolving issues through open and effective communication with a non-adversarial approach.

### Other Categories

Other performance criteria may be included to meet specific requirements in the contract and such additions must be approved by the Accounting officer.

### Assessment of service provider`s performance

The service provider`s performance should be assessed against the performance criteria and graded in accordance with the following definitions`:

	Definition	Assessment percentage level
Outstanding	Performed to satisfactory	>90-100%
Better	Standards often exceeds the anticipated goods or services or level of performance	>75%
Acceptable	Standards often meets the required level of performance	>60%
Marginal	Mostly meets required level of performance but has some scope for improvement	>50%
Unsatisfactory	Well below the required standards, does not meet the level of performance required by the client	<50%

### Overall performance

Assessment of overall performance should reflect the service provider`s performance against the criteria stated in the contract document.

### Review and recommendations

The Reporting Officer and the Reviewing Officer must make every effort to ensure that

comments are objective, accurate, can be substantiated and supported by facts.

The Reviewing Officer is to ensure that the report is objective and accurate so that it can be used reliably for making decisions concerning pre-qualification, selective tender lists or selection of a tenderer.

### **Overall comment**

In completing reports it is important to report on good performance as well as unsatisfactory performance. Performance reports form parts of future evaluations; service providers with good reviews should be noted.

Assessment comments should be kept to the facts relating to the contract at hand. Where it is considered necessary to give an opinion, the opinion should be:

- (a) A first hand opinion,
- (b) Recorded and signed by the reporting Officer,
- (c) And be about the service provider, not individual,
- (d) Be factual and preferably be supported with relevant documents.

In particular, comments should commence with “in my opinion”

- For example, “ in my opinion, the service provider did not provided suitable experienced leader of the design team or
- “In my opinion, the management of the sub contractors was not satisfactory”

Comments should refer to the weakness/failure of the service provider and not to individuals, do not use extreme language.

- For Example, “in my opinion, the service provider was totally (or completely) inefficient”.

It is easy to challenge such opinions, as there may be some area, no matter how small, where the service provider was not inefficient and/ or you are unable to substantiate the inefficiency.

Reasons for any opinion should be stated and should refer to the relevant evidence for that opinion.

### **Unsatisfactory performance**

A service provider `s performance may be rated as unsatisfactory in one or more of the assessment criteria or in the overall assessment

By and large, an unsatisfactory overall rating will lead to a recommendation that the service provider be assessed or regarded as unsuitable for further work of a similar nature for Council.

### **Review of performance ratings of “Unsatisfactory”**

#### **Overall assessment satisfactory (but rated unsatisfactory in one or more assessment criteria in one or more performance reports)**

**The procedure below is to be used where the overall assessment is satisfactory but one**

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**or more of the assessment criteria is rated as unsatisfactory, i.e below 50%.**

The service provider must be made aware if its performance is rated as unsatisfactory in any assessment criterion and be given an opportunity to comment on the report in accordance with the following procedure:

- (1) The service provider is to be advised in writing of the assessment and request to respond in writing within a reasonable time, that is 10 working days from the date of transmission.
- (2) The Reviewing Officer considers the service provider`s response and the service provider are advised if the unsatisfactory rating (s) is to be retained.

### **Overall assessment unsatisfactory**

**Where the overall assessment is unsatisfactory or the service provider is not recommended for further work of similar nature for Council, the following procedure applies:**

- (1) A meeting between the service provider, the Reporting Officer and Reviewing Officer is to be convened.
- (2) At that meeting, reasons for the scoring seen in the performance report are to be discussed and the discussion minuted.
- (3) The service provider shall be given the opportunity to respond in writing i.e 10 days of the meeting.
- (4) The service provider`s response may provide grounds that would allow the performance report to be adjusted, however doing so is entirely at the discretion of the Reviewing Officer. An adjustment must be evidence based. The onus is on the Service Provider to produce the evidence.

If upon completion of steps 1 to 4 the service provider`s overall assessment remains unsatisfactory, the service provider is to be informed that they seek a further review by Council which will be undertaken in accordance with the review process.

### **End of contract performance report (closing report)**

The end of contract performance report will be an important source of data for evaluation of performance of a service provider. For this reason, the final report should reflect the performance of the service provider throughout the entire contract period.

When performance is unsatisfactory, concise supporting evidence and all relevant details of the unsatisfactory performance must accompany the report.

All performance reports must be accompanied by documentary evidence supporting the reports, including minutes of meetings with the service provider.

### **Management of information exchange**

The supply chain management unit, the performance section will be the custodian of all performance management information.

The information may be exchanged with other spheres of government and the service provider must be notified when entering into a contract.

Confidentiality of the information will be maintained and the exchange of information will be done only when approved by the accounting office.

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