VICTOR KHANYE

LOCAL MUNICIPALITY- PLAASLIKE MUNISIPALITEIT

MONITORING AND PERFOMANCE OF SERVICE PROVIDERS POLICY

Policy Number:	Approved by Council:
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1. Definitions

1.1. **ACCOUNTING POLICY**

In relation to a municipality, means the municipality 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

1.2 **CIDB**

Construction Industry development Board

1.3. **CLIENT DEPARTMENT**

The department that has requested the contract

1.4. **EMPLOYMENT REPRESENTIVE**

Municipal Employees, Deputy Municipal Manager, General Manager, Senior Manager and Manager .This person will be form the client Department, if an implementing department for the contract exist, Otherwise the employee's representative will be from the implementing Department

1.5. **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.

1.6. **MUNICIPALITY**

Victor Khanye local Municipality

1.7. **MUNICIPAL SERVICES**

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

1.8. **REPORTING OFFICER**

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

1.9. **SERVICE DELIVERY AGREEMENT**

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

1.10 **SERVICE PROVIDER PERFOMANCE ASSESSMENT FORM**

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

1.11. **SERVICE PROVIDER**

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

1.12. **SUPPORTING SERVICE**

A service that is provided to support a municipal service

2. PREAMBLE

2.1 In preparation of this policy, Performance Monitoring of service providers The following were consulted

2.1.1 Legislation
2.1.2 Regulation of Acts
2.1.3 Victor Khanye SCM policy
2.1.4 Service providers
2.1.5 Legal services
2.1.6 Council
2.1.7 Victor Khanye staff

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

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

3. PURPOSE

3.1 The purpose of this document is to sell the framework for monitoring the performance of service providers of the Victor Khanye local municipality

3.2. The municipality's Vision states that

3.3 Service providers play a vital role in the performance of the organisation 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

3.4 The objective of the performance monitoring of service providers is to obtain a measure of the service provider’s performance under the contract. Performance assessment during the course of a contract help both the municipality and the service provider to reach a common understanding of the requirement of both parties about the work

3.5 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

3.6 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

3.7 Further business support strategies and interventions can be approximately tailored to achieve government’s developmental objective for targeted enterprises.

4. PROBLEM STATEMENT

4.1. 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

4.2. The Municipality is responsible for monitoring and assessing the implementation of the agreement, including the performance of the service provider in accordance to with Section 41 of the municipal System Act 32 of 2000

4.3. 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

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

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

5. OBJECTIVE OF THE POLICY

6.1. All service providers or prospective service providers must be made aware of

- 6.1.1 Assessment and reporting of a service provider's performance
- 6.1.2 The use of the service provider performance reports when evaluating service providers for registration, pre-qualification selective tender list expression of interest or awarding of a contract and
- 6.1.3 The exchange of information on service provider performance reports between government units/departments

6.2. 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

- 6.2.1 Service provide
- 6.2.2 Client/implementing departments

6.3. 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

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

6.5. A service providers 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

6.6 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

- 6.6.1 Outside the service providers control or
- 6.6.2 The result of some action by the municipality

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

6.8. If there is evidence that under performance or non-performance of the service provider is due to factors caused by the municipality then the following will happen

- 6.8.1 There will be no penalization of service provider

6.8.2 The Accounting officer, or delegated official must take corrective action where necessary

6.9. The performance assessment reports will be made available to inter-departmental, inter-governmental departments and the CIDB where applicable only

6.9.1 on completion of a contract and
6.9.10 If there are no pending disputes

6.10 The service provider must be notified of the assessment

6.11 The service provider may respond on the assessment in writing and this must be filled with the assessment

6.12 The condition of appointment set in the contract will determine what action will be taken against the service provider if underperformance or non-performance is detected

6.13. Appropriate key performance indicators for the contract must be set by the municipality as a yardstick for measuring performance

6.14. Measurable targets must be set for each key performance indicator.

6.15. The smart principle as laid out in the municipality's organisational Performance Framework must be followed in developing key performance indicators that is

16.15.1 (Specific Measurable, Achievable, Realistic, Time-framed)

6.16. The key performance indicators must be reviewed annually

6.17. 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

6.18 The performance information must be audited

6.18.1 As part of the municipality internal auditing process and
6.18.2 annually by the Auditor General

7. SUPPORT PROVIDED BY THE MUNICIPALITY IN UNDERPERFORMANCE AREAS

7.1. The municipality will facilitate support intervention to service providers in the identified areas of underperformance
7.2. Service providers who have been identified as under-performing in identified areas must be informed of these support intervention

7.3. The support intervention may be

7.3.1 Sponsored by the municipality
7.3.2 Subsidized by the municipality or
7.3.3 Paid for by the attending service provider

7.4. Records of support intervention and attendance registers must be signed by all parties and filled by the supply chain management division

7.5. The impact of the support intervention provided by the municipality to the service provider must be monitored.

8. ROLES AND RESPONSIBILITIES OF MUNICIPAL OFFICIALS

8.1. The table below outlines the roles and responsibilities of municipal officials

ROLES	RESPONSIBILITY
1. Reporting officer	a) Line departments b) Monitor and assess work done or service provided as per the service delivery agreement or contract c) Report on the performance of the service provider
2. Reviewing officer	a) Review the assessment made by the reporting officer
3. Accounting officer delegated to performance management unit	a) Ensure that KPI's are included in the appropriate individual performance plan of the municipal Official
4. Internal audit	a) Audit the performance information
5. Supply chain management	a) Manage the performance monitoring process b) Report on contract management and service provider performance to council quarterly c) Report to council annually on the performance of service provider d) Investigate and report on the impact of the intervention on areas of underperformance as

	part of the quarterly and annually report e) Review the policy and process annually f) Liase with business support unit on interventions for underperformance areas
6. Business support unit	a) Facilitate support interventions to address the underperforming areas

9. PROCEDURE

9.1. The requirement of the policy must be included in the contract of service provider

9.2 The performance of the contractor under the contract or agreement must be assessed monthly by the reporting officer
9.2. The assessment must be filled in the contract file or captured onto the database
9.4. The reporting officer must complete the service provider assessment form on the database at the end each of quarter and on completion or termination of contract

9.5. The reviewing officer must review assessment on the database for each quarter
9.6. The quarterly assessment must be completed within 15 working days after each quarter
9.7. The reporting officer must provide a copy of assessment to the service provider at the end of each quarterly assessment period
9.8. Supply chain management unit will review the quarterly service provide assessments within 20 days after the end of each quarter
9.9. This process will include verification and may require a site visit

10. POLICY EVALUATION AND REVIEW

10.1. The policy will be reviewed annually by Supply Chain Management this will include a review of the following
10.1.1 Policy document
10.1.2 Implementation plan
10.1.3 Electronic system
10.1.4 Impact that the policy has in the implemented area

10.2. The implementation plan is reflected in Annexure C

11. STANDARD PERFOMANCE CRITERIA AND EVALUATION

11.1.1 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

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

11.1.3 Directorates will be allowed to develop additional assessment criteria and such additions shall be incorporated in the contract document and approved by the Accounting officer

11.1.4 The recommended performance grading's are outlined in this document

11.1.5 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 Sanction might include reporting the matter to national treasury for blacklisting and to South Africa Police Service if fraud and corruption has been detected

12. KEY PERFORMANCE AREAS

12.1 Environmental Management

Description	**Weight**	**Score**
Environmental Management	**0.5%**	**<0.5=poor**

12.1.1 The requirement for the Environmental Management on specific projects are set out in the environmental impact assessment report (EIA) service providers must adhere to the guidelines and assessment will be done by the reporting officer on compliance to the guideline

12.2 Occupational health and safety management

Description	**Weight**	**Scores**
Occupational health and safety management	**0.5%**	**<0.5=poor**

12.2.1 Guidance on OHS management system are set out in the contract document. At all times the duties and workplace OHS obligations as arising from the legislation/regulations and the approved safety plan take precedence in any contract or engagement

12.2 PAYMENT OBLIGATION

Description	Weight	Scores
Payment obligation	20%	<10=poor 10= acceptable 15=good 15<= excellent

12.3.1 The main contractor is to ensure that the payment to sub-contractors, suppliers and labourers are made in a proper and timely manner. At no time is the main contractor permitted to adopt a payment practise of paid when paid

12.4 GUARANTEE SURELESS PAYMENT

Description	Weight	Scores
Guarantee sureties payment	20%	<10=poor 10= acceptable 15=good 15<=exceptional

12.4.1 Service providers will be required to provide guarantees to council for the contracts to be undertaken. The guarantees requirements are outlined in the SCM policy adopted by council

12.4.2. Assessment will be based on whether the service provider did manage to provide the guarantees on stipulated timeframe or whether arrangements have been done to deduct the guarantee on the payments certificates

12.5 SMME PARTICIPATION

Description	Weight	Scores
SMME participation	10%	8<=poor 8>=acceptable

12.5.1 For selected contracts service providers will be required to indicate measures they intend to implement, if awarded the contract , which could lead to improved conditions in SMME developments

12.5.2 SMME developments requirement will be included in the bid documents as a condition of tender. Assessment of the SMME"s will include

12.5.1.1 Extending sub-contracting opportunity to SMME enterprise
12.5.1.2 Enhancing the business skills of SMME enterprises
12.5.1.3 Providing economic benefits SMME enterprise

12.6 TIME MANAGEMENT

Description	Weight	Scores
Time management	**20%**	**<**10=poor

		10= acceptable 15=good 15,exceptional

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

12.6.2 The work plan forms the basis for assessing the service provider’s ability to manage time

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

12.6.4 In assessing the service provider time management performance the following should be considered

- 12.6.4.1 Ability to meet programmed milestone
- 12.6.4.2 Timely allocation of resources to critical activities
- 12.6.4.3 Updating of the work program to account for unforeseen delays
- 12.6.4.4 Overall progress of the work
- 12.6.4.5 Timely submission of meaningful progress reports

12.7 STANDARD OF SERVICE

Description	Weight	Scores
Standard of service	20%	<10=poor 15=acceptable 18=good 20=exceptional

12.6.1 Standard of work will generally be measured against the technical, financial and reporting requirements set out in the condition of engagements, in particular the following should be considered

- 12.6.1.1 Compliance with the contract or brief
- 12.6.1.2 Quality of works includes conformation with specific criteria, if applicable
- 12.6.1.3 Achievements of contract standard
- 12.6.1.4Adherence to budget
- 12.6.1.5 Reviews and reports to delivered in accordance with the brief
- 12.6.1.6 Amounts of rework required from the service provider
- 12.6.1.7 Need to engage another service provider to undertake additional or remedial work
- 12.6.1.8 Extent of involvement required form the consultant or client to achieve the desired standard of work

12.9 COOPERATIVE RELATIONSHIPS

Description	**Weight**	**Scores**
Cooperative relationships	**0.5%**	**Below 0.5=poor 0.5=acceptable**

12.9.1 Assessment items includes-

12.9.1.1 Adoption and commitment to participating principles with clients consultant sub-contractors and suppliers

12.9.1.2 Commitment and implementation of a management approach that fosters continuous improvements, self-assessments and general industry standard

12.9.1.3 Commitment to resolving issues through open and effective communication with a non-adversarial approach

12.10 Other categories

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

13 ASSESSMENT OF SERVICE PROVIDERS PERFORMANCE

13.1 The service providers performance should be assessed against the performance criteria and graded in accordance with the following definitions

	Definition	Assessment percentage
Better	Standards often exceeds The anticipated goods or service or level of performance	>75%
Acceptable	Standards often meets the required level of performance	<60%
unsatisfactory	Well below the required standards does not meet the level of performance required by the client	
Marginal	Mostly meets required level of performance but has some scope for improvements	<50%

14 overall performance

14.1 Assessment of overall performance should reflect the service providers performance against the criteria stated in the contract document

15 Review and recommendation

15.1 The reporting officer and the reviewing officer must take every effort to ensure that comments are objective, accurate can be substantiated and supported by facts

15.2 The reviewing officer has 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 tender

16 Overall comment

16.1 In completion reports it is important to report on good performance as well as unsatisfactory performance. Performance reports form part of future evaluation, service providers with good review should be noted

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

16.1.1 A first hand opinion
16.1.2 Recorded and signed by the reporting officer.
16.1.3 and about the service provider not individual,
16.1.4 be factual and preferably be supported with relevant documents

16.3. In particular, comments should comments with '"in my opinion"

16.3.1 For example ""in my opinion the service provider did to provide suitable experienced leader of the design

16.3.2 ""in my opinion the management of the sub-contractors was not satisfaction

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

16.4.1 For example, ""in my opinion the service provider was totally or completely inefficient

16.5 It is challenge opinion as indicated in 16.4.1 as there may be some areas. No matter how small, where the service provider was not inefficient and or you unable to substantiate the inefficiency

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

17 UNSATISFACTORY PERFORMANCE

17.1 A service providers performance may be rated as unsatisfactory in one or more of the assessment criteria or in the overall assessment

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

18 REVIEW OF PERFORMANCE RATINGS OF UNSATISFACTORY

18.1 In cases where a service provider scored an overall assessment rated satisfactory (but rated unsatisfactory in one or more assessment criteria in one or more performance reports) then the procedure below is to be used where overall assessment is satisfactory but one or more of the assessment criteria is rated as unsatisfactory below 505

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

18.3 The service provider is to be advised in writing of the assessment and be requested to respond in writing within a reasonable time, that is 10 working days from the date of transmission

18.4 The reviewing officer considers the service provider's response and the service provider are advised if the unsatisfactory rating is to be retained

19 Overall assessment unsatisfactory

19.1.1 Where the overall assessment is rated as unsatisfactory or the service provider is not recommended for further work or similar nature for council the following procedure applies

19.1.1 A meeting between the service provider, the reporting officer and reviewing officer is to be converted

19.1.2 At that meeting, reasons for the scoring seen in the performance report are to be discussed and discussion minuted.

19.1.3 The service provider should be given an opportunity to respond in writing 10 days after the meeting

19.1.4 The service providers respond may include ground that would allow the performance report to be adjusted, however doing so entirely at the discretion of the reviewing officer. An adjustment must be evidence based. The onus is on the service provider to provide the evidence

19.2 If upon completion of steps in section19.1.1 to 19.1.4 and the service providers overall assessment remains unsatisfactory, the service provider is to be informed

19.3 In cases where the service provider is unsatisfied about a further Review must be arranged by council which will be undertaken in accordance with the review process indicated in section 20

20 Appeal process for the service provider performance report

20.1 If after following the review process described, a performance report rates the service providers overall performance as unsatisfactory or the service provider is not recommended for work of similar nature the service provider must be given the opportunity to have an independent review as follows

20.1.1 The review will be undertaken within a reasonable time, 10 working days of the receipt of an appeal by the service provider

20.1.2 The officer conducting the review must be a senior manager not associated with the contract concerned

20.1.3 Where a review committee recommended by the Accounting officer should be established to deal with issues of reviews

20.1.4 The review committee will consist of three senior officers and should include an independent representative for example an official form other sphere of government

20.1.5 Political office bearers shall not be allowed to form part of the reviewed processes

20.1.6 The evidence provided by all parties shall be considered for decision making

20.1.7 The committee will have powers to seek evidence, do investigative work and request any information either in person or writing from the all parties

20.1.8 The committee will have in its powers to recommend findings to MPAC or national treasury through the Accounting officer if wrong doing is detected

20.1.9 The service provider will be notified of the outcome of the review with 10 days of the review, where the performance report is changed as a results of review an adjusted copy of the report will be given to the service provider

21 End of contract performance report (closing report)

21.1 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 service provider throughout the entire contract period

2.1.2 When performance is unsatisfactory concise support evidence and all relevant detail of the unsatisfactory performance must accompany the report

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

22 Management of information exchange

22.1 The performance section of the supply chain management division will be the custodian of all performance management information

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

22.3 Confidentiality of information will be maintained and the exchange of information will be done only when approved by the Accounting officer