



ANNEXURE 32

MOGALE CITY LOCAL MUNICIPALITY

SUPPLIER PERFORMANCE MONITORING AND EVALUATION POLICY

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ACRONYMS

| | |
|------|---|
| CIDB | Construction Industry Development Board |
| KPA | Key Performance Areas |
| KPI | Key Performance Indicators |
| MCLM | Mogale City Local Municipality |
| MFMA | Municipal Finance Management Act No. 56 of 2003 |
| POE | Portfolio of Evidence |
| SCM | Supply Chain Management |
| SLA | Service Level Agreement |

1. DEFINITIONS

1.1 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.

1.2 EMPLOYER'S REPRESENTATIVE

Municipal Employee: Accounting Officer, Executive Manager, Manager, Assistant Manager and Project Manager. This person will be from the user department if the user department for the contract exists. Otherwise, the Employee's representative will be from the implementing department.

1.3 IMPLEMENTING DEPARTMENT

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

1.4 MUNICIPAL SERVICE

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

1.5 PORTFOLIO OF EVIDENCE

A set of signed relevant documentation relating to a specific project and scope for which the Service Provider is appointed to render i.e., delivery note, pictures of delivered goods, pictures of before, during and after (in the CIDB projects). Report of delivered service, completion certificates, final certificates, etc.

1.6 PROJECT MANAGER

The Municipal Employee (usually Assistant Manager or Manager of the User Department) who is responsible for managing the operational delivery of the Service Level Agreement or Contract and who will complete the Service Provider Monitoring and Performance Evaluation Scorecard.

1.7 SERVICE LEVEL AGREEMENT

A Contract between the Service Provider and Mogale City Local Municipality that documents services the Service Provider will perform and the service standards the Service Provider is obliged to meet and defines terms and conditions of the SLA.

1.8 SERVICE PROVIDER MONITORING AND PERFORMANCE EVALUATION SCORECARD

A scorecard document used to monitor, evaluate and score performance of the Service Provider based on the KPA's, KPI's and POE embodied in the scope of work in SLA/Contract and agreed to by the Service Provider and the Municipality.

1.9 SERVICE PROVIDER

Any person, institution or company that provides goods or services to or on behalf of the municipality and whose services were procured through the supply chain management process.

1.10 SUPPORTING SERVICE

A service that is provided to support a municipal service.

1.11 USER DEPARTMENT

The department within Mogale City Local Municipality as headed by the respective Executive Manager that has requested the procurement of a product or service.

APPROVED

2. INTRODUCTION

- 2.1 The South African Constitution of 1996 states that, Municipalities have the responsibility to make sure that all citizens are provided with services to satisfy their basic needs and Municipalities are also allowed to outsource the provisions of a service. Service Providers play a vital role in the performance of the Municipality 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. In terms of **Section 116 (2) (b) of MFMA** the Municipality *must monitor Performance of the Service Providers on a monthly basis* therefore, there is a need to monitor and evaluate performance of Service Providers.
- 2.2 Monitoring and evaluating performance of Service Providers will assist the Municipality to identify areas of improvement, reduce risk of disruption, and ensure that they are meeting the need of the Municipality.
- 2.3 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 for all contracts with the value greater than R300, 000.00
- 2.4 Procurement of goods and services contemplated in section 110(2) of the MFMA do not apply, these include:
 - (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity.
 - (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

3. REGULATORY FRAMEWORK

The Supplier Performance Monitoring and Evaluation Policy has been developed in terms of the prescripts of applicable legislation, including but not limited to the following:

- 3.1 Local Government: Municipal Finance Management Act No. 56 of 2003.
- 3.2 Local Government: Municipal Systems Act of 32 of 2000.
- 3.3 Mogale City Local Municipality Supply Chain Management Policy.
- 3.4 Integrated Performance Management Policy of MCLM.

4. PURPOSE

- 4.1 The purpose of this document is to set the framework for monitoring and evaluating the performance of Service Providers of the Mogale City Local Municipality.

- 4.2 This Policy will assist the Municipality to objectively measure the Service Provider's performance against agreed criteria set for the specific contract. Performance assessments throughout the contract ensures that both the Service Provider and the Municipality meet their contractual obligations.
- 4.3 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.
- 4.4 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 and poor performance under a contract.
- 4.5 Through the implementation of this policy, MCLM aims to:
- 4.5.1 ensure a high quality of service delivery and supply of goods and services is maintained.
 - 4.5.2 detect non and poor performance early, thereby reducing the risks of non-delivery in projects and service delivery to the community of Mogale City.
 - 4.5.3 avoid payment of invoices where poor or non-performance continues, and corrective measures to be in place.
 - 4.5.4 create mechanisms to improve performance where targets are not being achieved.

The performance of Service Providers that have been selected to help in the provision of a municipal service, other than in circumstances where Chapter 8 of the Municipal Systems Act applies, is required, by Section 116 of the Municipal Finance Management Act and Supply Chain Management Policy, to be monitored and reported on.

5. POLICY IMPLEMENTATION

- 5.1 Both Supply Chain Management (Contract Management) and the Project Managers must ensure that Service Providers or prospective Service Providers are aware of the following when issuing the tender and appointing the successful bidder:
- 5.1.1 **Section 27 (d) of SCMP** – the relevant criteria that will be used to monitor, evaluate and score the Service Provider's performance in delivering against the KPA's and KPI's derived from the scope of work/service and technical specification requirements.
 - 5.1.2 assessment and reporting of the Service Provider's performance.
 - 5.1.3 the use of Service Provider performance reports when evaluating Service Providers for registration, pre-qualification, selective tender list, reference letters, expressions of interest or awarding of a contract.
 - 5.1.4 the exchange of information on Service Provider performance reports between the Departments.
 - 5.1.5 the use Service Provider's actual performance reports as a source for factual drafting of reference letters that are requested by Service Providers from time to time.

5.2 The appointed Service Provider must be given the opportunity to discuss the performance criteria with the Implementing Department/Project Manager and Contract Management section. Any amendments must be agreed to by the following parties:

5.2.1 Service Provider.

5.2.2 User/Implementing Department (Project Managers).

5.2.3 Contract Management (SCM).

5.3 The decision to change a criterion after commencement of a contract is the responsibility of the Project Manager after consultation with the Executive Manager of the Department. A report must then be submitted to SCM detailing the required change which must be agreed to by the Service Provider. Once agreed, a report will be submitted to the Accounting Officer for approval of the change, and an addendum to the SLA will be drafted.

5.4 An Addendum must be signed by the Service Provider and the implementing Department and attached to the contract or Service Level Agreement.

5.5 The Service Provider's performance must be assessed in the context of the scope of work covered in the SLA. The respective roles and obligations of the Municipality and Service Provider under the contract must be considered.

5.6 Employees entrusted with the responsibility of preparing or reviewing the performance of a Service Provider must consider whether satisfactory progress or completion of a project or delivery of goods and services have been affected by any matters which are:

5.6.1 Outside the Service Provider's control.

5.6.2 The result of some action by the Municipality.

That is, evaluation against performance criteria must measure the Service Provider's performance, after considering matters beyond the Service Provider's control.

Therefore, for each performance criteria, a determination must be made whether such performance or deliverable is dependent on other factors or actions by MCLM and the extent thereof.

6. ROLES AND RESPONSIBILITIES

The table below outlines the roles and responsibilities of Municipal Officials.

| ROLE | RESPONSIBILITY |
|-----------------|---|
| Legal Services | Receives an instruction from SCM (Contract Management) to draft an SLA. |
| | |
| Project Manager | Monitors and assesses work done or Service Provided as per the scope of work/service and SLA. |

| | |
|--------------------------|---|
| | Reports on the performance of the Service Provider. |
| | Gathers all the POE for payment and reporting purposes. |
| | Attends contract management meetings monthly or as and when required. |
| | Monitors, evaluates and scores performance of the SP monthly or as and when required (for ad-hoc supply and delivery SLA) and signs-off the performance evaluation scorecards. |
| | Submits monthly Service Provider Performance Monitoring and Evaluation Scorecard together with POE to Contract Management and Expenditure section for payment. Such scorecards and POE must be uploaded to the SCM Portal as well for record keeping. |
| | |
| Executive Manager | Reviews and signs-off the SP performance monitoring and evaluation scorecard provided by the Project Manager. |
| | |
| Supply Chain Management | Contract Management manages the performance monitoring process. |
| | Reports monthly and quarterly on performance of the Service Providers. |
| | Reports to Council on quarterly and annually on the performance of Service Providers in terms of Section 46 of Systems Act of 2000. |
| | Investigate and report on the impact of the interventions on areas of underperformance as part of the monthly and quarterly report. |
| | Reviews the policy and process annually. |
| | Consults with User Department and Service Providers on monthly basis to monitor performance and to come up with corrective measures where there is continuous non-performance. |
| | Reference letters based on the performance of the Service Provider. |
| | Compliance with Section 27 (b) of SCM Policy. |
| | |
| Accounting Officer | Signs the SLA and ensure that Service Provider's performance is monitored monthly in terms of Section 116 of MFMA. |
| | |
| Internal Audit | Audits in terms of the Audit Plan and ensures compliance with all the relevant Legislations. |
| | |
| Risk assessment division | Assess the potential risk associated with the process. |

7. PROCEDURES

7.1 The requirements of this policy must be included in the contract of the Service Provider.

- 7.2 The performance of the Service Provider under the contract or agreement must be assessed monthly by the Project Manager.
- 7.3 The assessment report must be filed in the contract file or captured onto the Portal of Contract Management.
- 7.4 The Project Manager must complete the Service Provider Assessment Form at the end of each month, quarter and on completion or termination of the contract.
- 7.5 The Project Manager must review the assessment on the Portal for each quarter.
- 7.6 The quarterly assessment must be completed within 7 working days after the end of each quarter.
- 7.7 The Project Manager must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period.
- 7.8 Supply Chain Management Section will review the quarterly Service Provider Assessments report within 10 days after the end of each quarter.
- 7.9 A unique email address (**SPME@mogalecitycity.gov.za**) for user departments and Project Managers to submit completed and signed SPME Forms/Reports with supporting POE.

8. SCORING GUIDELINES

The following score ranging from 1-5 will be used for the evaluation process.

- (i) 1 = Poor (<59%) – Unacceptable Performance, the performance does not meet the standards expected, the contractor has failed to demonstrate the commitment level expected.
- (ii) 2 = Average (60-69%) – Performance not fully effective, performance is below the standard required, it meets some expectations.
- (iii) 3 = Above Average (70-79%) – Performance fully effective, performance fully meets standards expected as the scope.
- (iv) 4 = Good (80 – 89%) – Performance significantly above expectations, performance is significantly higher than the standard expected.
- (v) 5 = Excellent (90-100%) – Outstanding performance, performance far exceeds the standard expected.

9. STANDARD PERFORMANCE CRITERIA AND EVALUATION

- 9.1 Projects of service delivery vary in scope and in terms of implementation. Therefore, other performance criteria may be added to the ones indicated in this policy.

- 9.2 User Departments in consultation with Contract Management will be allowed to develop additional assessment criteria and such addition shall be incorporated in the contract and in the conditions of the tender document approved by the Accounting Officer.
- 9.3 The recommended performance gradings are outlined in this document.
- 9.4 Should it come to the attention of the Municipality 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.
- 9.5 SLAs/Contracts must have contract 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.
- 9.6 The work plan forms the basis for assessing the Service Provider`s ability to manage time.
- 9.7 For some engagements, the only available measure of time management is the completion of the work by the stated completion period.
- 9.8 In assessing the Service Provider`s time management performance the following should be considered:
- 9.8.1 Ability to meet programmed milestones.
 - 9.8.2 Timely allocation of resources to critical activities.
 - 9.8.3 Uploading of the work program to account for unforeseen delays.
 - 9.8.4 Overall progress of the work.
 - 9.8.5 Timey submission of meaningful progress reports.
- 9.9 Assessment items must include:
- 9.9.1 Adoption and commitment to partnering principles with clients, consultants, sub-contractors, and suppliers.
 - 9.9.2 Commitment and implementation of a management approach that fosters continuous improvements, self-assessments and general industry standards.
 - 9.9.3 Commitment to resolving issues through open and effective communication with a non-adversarial approach.
- 9.10 Assessment of service provider`s performance:
- The Service Provider`s performance should be assessed against the KPA`s and KPI`s and must be scored in accordance with the scorecard attached hereto. Where a score of 1 or 2 is given, clear and detailed information must be provided regarding reasons for

non or poor performance as well as agreed corrective actions to remedy and prevent recurrence of non or poor performance.

9.11 Overall performance:

Assessment of overall performance should reflect the Service Provider`s performance against the criteria stated in the contract document over a period of a minimum of three (3) months.

9.12 Review and recommendations:

The Project Manager and the Executive Manager must make every effort to ensure that comments are objective, accurate and can be substantiated by facts and POE.

9.13 Overall comment:

In completing the assessment 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:

- 9.13.1 A first-hand opinion.
- 9.13.2 Recorded and signed by the Project Manager.
- 9.13.3 Be about the service provider, not individual.
- 9.13.4 Be factual and supported with relevant documentation and POE.

Comments should also be in line or relevant to the score that is given to the Service Provider. A comment cannot be negative where the scored is 3 and above, similarly a comment cannot be positive where the scored is less than 3. Factual reasons must be stated and supported with relevant evidence for that score.

9.14 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. Unsatisfactory overall rating could lead to a recommendation that the Service Provider be regarded as unsuitable for further work of a similar nature for the Municipality.

9.15 Review of Ratings for Unsatisfactory Performance

- 9.15.1 The Service Provider can be rated unsatisfactory in one or more of KPA`s and KPI`s. The Project Manager after rating or scoring the Service Provider based on the POE submitted, must notify the Service Provider of such unsatisfactory performance.

9.15.2 The Unsatisfactory performance of the Service Provider will also be discussed in monthly meetings between the Service Provider, Project Manager and Contract Management. The Service Provider will be allowed to give reasons for such unsatisfactory performance. The Project Manager considers the Service Provider's response and the service provider are advised if the unsatisfactory rating (s) is to be retained.

9.16 Overall assessment of Unsatisfactory Performance

Where the overall assessment is unsatisfactory or the Service Provider is not recommended for further work of similar nature for Municipality, the following procedure applies:

9.16.1 A meeting between the Service Provider, the Project Manager and Contract Management is to be convened.

9.16.2 At that meeting, reasons for the scores in the performance report are to be discussed and minutes kept for records and audit trail.

9.16.3 The Service Provider shall be given the opportunity to respond in writing within 10 days of the meeting.

9.16.4 The Service Provider's response may provide grounds that would allow the Project Manager together with Contract Management to institute corrective actions to remedy poor performance with clear target dates. Penalties for poor performance must be set and enforced where required.

9.16.5 Any adjustments to the contracted KPIs and KPAs must be supported by the Project Manager and approved by the Accounting Officer. Such adjustment must be evidence based, and the onus is on the Service Provider to produce the evidence.

If upon completion of these steps (9.16.1 to 19.16.5) but the Service Provider's overall assessment remains unsatisfactory, the Service Provider is to be informed that they seek a further review by the Municipality which will be undertaken in accordance with the review process.

10. PENALTIES FOR UNSATISFACTORY PERFORMANCE

The following penalty measures must be considered where there's continuous non-performance or unsatisfactory performance for a period of more than **three (3) months** the Municipality should be considered:

- (a) Levy of 2.5% for poor performance penalty.
- (b) Credit notes.
- (c) Non-Payment.
- (d) Reporting the Service Provider to National Treasury to be grey listed.

- (e) Invoke a termination clause in the SLA.

The above will be considered ones Contract Management ensured that corrective measures were put in place to assist the Service Provider to improve or comply with his contractual obligations.

11. END OF CONTRACT PERFORMANCE REPORT (Contract close-out 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. This report must be the reference point when Service Providers request letters of reference from MCLM.

12. MANAGEMENT OF INFORMATION EXCHANGE

Supply Chain Management and Monitoring & Evaluation sections 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 Officer.

13. POLICY REVIEW

The policy will be reviewed annually by Supply Chain Management in consultation with relevant stakeholders.

14. EFFECTIVE DATE

The effective date of this Supplier Performance Monitoring and Evaluation Policy will be the date of adoption/approval by Council.