



POLICY

Performance Monitoring of Service Providers

November 2009

TABLE OF CONTENT

1. PURPOSE	4
2. PROBLEM STATEMENT.....	5
3. POLICY	6
4. PROCEDURE	10
5. POLICY EVALUATION AND REVIEW.....	12

ANNEXURES

- A: Report To Council: Performance of Service Providers
- B: Assessment Report
- C: Implementation Plan

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: Deputy Head, Head or Deputy City 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

eThekweni 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.

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.

PREAMBLE

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

- Legislation
- Regulations of Acts
- eThekwini Policies
- Legal Services
- The Community
- eThekwini Executive Committee
- eThekwini staff

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

The pilot implementation of the policy, once adopted, will be all Section 5 awards, i.e. contract value greater than R10,000,000.00.

1. PURPOSE

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

The Municipality's Vision states that by 2020, eThekweni Municipality will enjoy the reputation of being Africa's most livable City, where all citizens live in harmony. This Vision will be achieved by growing its economy and meeting people's needs so that all citizens enjoy a high quality of life with equal opportunities, in a City that they are truly proud of.

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.

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.

2. 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.

3. 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 before commencement of the contract. Any amendments must be agreed to by the following parties:
 - Service Provider
 - Client and Implementing Department

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

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

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

4. 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 15 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. This process will include verification and may require a site visit.

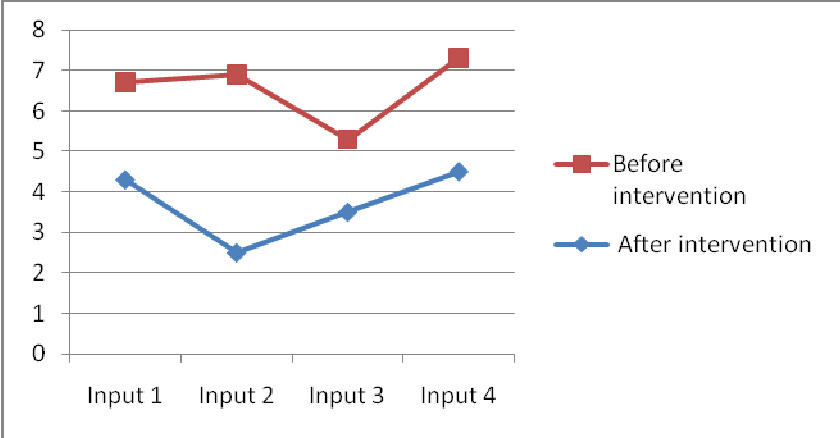
5. POLICY EVALUATION AND REVIEW

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

- Policy Document
- Implementation Plan
- Electronic System
- Impact that the policy has had in the implemented area.

The implementation plan is reflected in Annexure C.

ANNEXURE A - REPORT TO COUNCIL: PERFORMANCE OF SERVICE PROVIDERS

FINANCIAL YEAR:																		
No of service providers assessed:																		
No of service providers contracted to the municipality:																		
Assessment Criteria (grouped by Sector)	No of poor performance	No of accepted performance	No of outstanding performance															
List of KPI (grouped by sector and project)	Achieved	Not Achieved																
Interventions developed for areas of poor performance:																		
List Service providers that underperformed:	Area of poor performance:	Attended Intervention (Tick box if yes)																
	•	• <input type="checkbox"/>																
 <table border="1"> <caption>Impact of Interventions Data</caption> <thead> <tr> <th>Input</th> <th>Before intervention</th> <th>After intervention</th> </tr> </thead> <tbody> <tr> <td>Input 1</td> <td>7</td> <td>4</td> </tr> <tr> <td>Input 2</td> <td>7</td> <td>2.5</td> </tr> <tr> <td>Input 3</td> <td>5</td> <td>3.5</td> </tr> <tr> <td>Input 4</td> <td>7</td> <td>4.5</td> </tr> </tbody> </table>				Input	Before intervention	After intervention	Input 1	7	4	Input 2	7	2.5	Input 3	5	3.5	Input 4	7	4.5
Input	Before intervention	After intervention																
Input 1	7	4																
Input 2	7	2.5																
Input 3	5	3.5																
Input 4	7	4.5																

IMPACT OF INTERVENTIONS

ANNEXURE B - PERFORMANCE ASSESSMENT REPORT

General information																
Contract Number				Department												
Service Provider's name																
Sector				Unit												
Contract description																
Contract Period (months)				Original Due Date for Practical Completion												
Date of Acceptance of Tender				Original Contract Sum												
Reason for report				Financial Year:												
Practical Completion <input type="checkbox"/>				Assessment Report												
Quarterly Assessment				Quarter 1 <input type="checkbox"/>			Quarter 2 <input type="checkbox"/>			Quarter 3 <input type="checkbox"/>			Quarter 4 <input type="checkbox"/>			
Monthly Assessment				J	F	M	A	M	J	J	A	S	O	N	D	
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Contract progress																
Extended Date for Practical Completion								Total Extensions of Time Approved (days)				(calculated)				
Percentage of Work Completed at Report Date								Actual Date of Practical Completion								
Contract Sum as Varied at Report Date																
Service Provider's performance																
				Poor				Accepted				Outstanding				
Assessment Criteria				<input type="checkbox"/>				<input type="checkbox"/>				<input type="checkbox"/>				
KPIs				Achieved				Not Achieved								
				<input type="checkbox"/>				<input type="checkbox"/>								
Overall comments <i>(attach separate sheets if necessary)</i>																
■ Reporting Officer																
<i>In my opinion:</i>																
Name <i>(please print)</i>								Contact Number								
Signature								Date								

■ Reviewing Officer	
<i>I concur</i> <input type="checkbox"/> <i>I do not concur</i> <input type="checkbox"/> <i>with the Reporting Officer's assessment detailed in the report.</i>	
In my opinion:	
The report has been forwarded to the Service Provider <input type="checkbox"/> Yes <input type="checkbox"/> No	
Recommended for further work (to be answered on completion of contract)	<input type="checkbox"/> Yes <input type="checkbox"/> No
If the recommendation is No, the unsatisfactory performance aspects have been discussed with:	
Minutes of meeting and Service Provider's response attached <input type="checkbox"/> Yes <input type="checkbox"/> No	
Name of Service Provider's representative (<i>please print</i>)	
Contact number	Date of Discussion
Signature	Date

ANNEXURE C – IMPLEMENTATION PLAN

2008/2009
<ul style="list-style-type: none">• Develop Policy
2009/2010
<ul style="list-style-type: none">• Adopt Policy• Develop Web Based System• Pilot: Contracts > R10mil• Review Policy
2010/2011
<ul style="list-style-type: none">• Contracts > R10mil• Annual Supply Contracts• Review Policy
2011/2012
<ul style="list-style-type: none">• Contracts > R10mil• Annual Supply Contracts• All contracts in the Municipality's Service Delivery Budget Implementation Plan• Review Policy• Impact Analysis