



UMZIMVUBU
LOCAL MUNICIPALITY
CONTRACT MANAGEMENT POLICY

**TO MANAGE AND ADMINISTER
MUNICIPAL CONTRACTS**

PREPARED AND ISSUED BY
**THE SUPPLY CHAIN MANAGEMENT-FLEET MANAGEMENT SERVICES UNDER
BUDGET AND TREASURY**

1. PRE-AMBLE

The Municipal Manager is appointed in terms of section 54A of the Local Government Municipal Systems Act, No 32 of 2000 as the accounting officer, who is responsible and accountable for all income and expenditure of the municipality and to insure proper and diligent compliance with the Municipal Finance Management Act, No 56 of 2000 and Regulations.

Section 116 of the Local Government Municipal Finance Procurement Policy Framework Act, No 5 of 2000 and Regulations as amended from time to time inter alia compel the accounting officer to establish capacity in the administration of the municipality to assist him/her in carrying out the duties, to ensure sound and well administrated contract management.

It is also important to give effect to Section 217 of the Constitution of South Africa (1996) that stipulate that an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services must act in accordance with a system which is equitable, transparent, competitive, cost-effective and fair.

2. DEFINITIONS

In this Policy, unless the context indicates otherwise:-

Municipality	means the Umzimvubu Local Municipality
Accounting Officer (in relation to a municipality)	means the municipal official referred to in section 60 of the MFMA (2003); and include a person acting as the accounting officer.
Act or MFMA	means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)
Circular 62	means communication from National Treasury by means of a Circular to enhance compliance and accountability to SCM Regulations and the MFMA of 2003
Contract	Means the agreement that results from the acceptance of a bid by the Municipality (mutual agreement)
Contract alteration	Means changing technical writing or input errors to the agreement of the contract without changing the scope of contract.
Contract Amendment	Means changing the scope, nature, duration, purpose or objective of the agreement or contract (in context of Circular 62 and section 116 (3) of the MFMA)
SCM Manager	Means the SCM official responsible for monitoring, regulating and reporting on all contract related activities as set out in Section 116 of the MFMA)
Executive Manager	Appointment according to Section 56 of the Systems Act

Chief Financial Officer	Means the Chief Financial Officer
Manager Legal Services	Means the Manager responsible for Legal Services
Contract Owner	Means the official within a specific department, responsible for all day to day activities during the life cycle of the contract (with delegated powers to perform this function)
Contract Management	Means the holistic term of all role players involved in an agreement (SLA SDA) or contract and include the; SCM manager, contract owner, contract champion and supplier.
Official (in relation to a municipality)	Means: An employee of a municipality; A person seconded to a municipality to work as a member of the staff of the municipality; or A person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee
Delegation (in relation to a duty)	Includes an instruction or request to perform or to assist in performing the duty
Users	Means all officials as set out in the Organogram of the Umzimvubu Local Municipality involved with contracts

3. ABBREVIATIONS

MSA	Means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)
NT	Means National Treasury established by section 5 of the Public Finance Management Act
SCM	Means Supply Chain Management
SCC	Means Special Conditions of Contract
MFMA	Means Municipal Finance Management Act

4. POLICY STATEMENT

The intent of this policy is to establish a uniform governance structure for the managing of SLA's / contracts and other legal binding documents, throughout Umzimvubu Local Municipality, which are aligned to national and international best practice frameworks.

The policy aims to ensure that:

- a. All decisions taken by the Umzimvubu Local Municipality by means of Management / Mayoral or Council Resolutions, which emanated in transactions, that involves a contract, whether explicitly agreed in writing or implicitly implied through actions are complied with. (Including donations, land sales or leases MOU's between Umzimvubu Local Municipality and other stakeholders. etc.)
- b. That effective and efficient control of goods or services procured through the SCM system is secured by a contract.
- c. Proper recording, management and enforcement of contracts throughout the contract life cycle, based on the level of management control appropriate for the classification of the specific contract. (specification to contract reviews)
- d. Umzimvubu Local Municipality enters and manages contracts in a manner, which facilitates the Municipality's business and minimises risk.
- e. Contracts are managed and reported to ensure quality performance and value for money are achieved, in line with expectations to optimize the efficient and sustainable financial wellbeing of the municipality, resulting in lower cost drivers.
- f. Maximised supplier and industry engagement to ensure interest to a competitive and willing market exist, to support the municipality. Hence good contract management by all stakeholders involved is essential for good financial management and will contribute greatly to the effectiveness and efficiency of service delivery. In effect it would give strategic direction to all departments following a centralised strategy of contract management. This policy must be read in coincidence with the SCM Policy of Umzimvubu Local Municipality.

5. MANAGING OF SLA'S & CONTRACTS

5.1 Application and Framework of the SLA & contract management policy

- 5.1.1 All officials and other role players in the Umzimvubu Local Municipality must implement this Policy in a way that gives effect to:
 - 5.1.1.2 Section 217 of the Constitution
 - 5 1 1.3 Section 116 of the MFMA
 - 5.1.1.4 Section 33 of the MFMA; SCM Policy
 - 5.1.1.5 SCM Regulations; and
 - 5.1.1.6 Any other legislation pertaining to SCM
 - 5.1.1.7 Contracts emanated from Council's resolutions 5.1.2

This Policy applies when the Municipality:

5.1.2.1 procures good or services

5.1.2.2 Disposes of goods no longer needed

5.1.2.3 Sales, lease of land or other assets

5.1.2.4 Provide funding to beneficiaries; and

5.1.2.5 Selects service providers and suppliers to provide assistance in the provision of municipal services including circumstances where Chapter 8 of the Municipal Systems Act applies.

5.2 Adoption, Amendment and Implementation of the Contract Management Policy

5.2.1 The Accounting Officer or the Executive Manager must:

5.2.1.1 At least annually review the implementation of this Policy; and

5.2.1.2 When the Accounting Officer or the Executive Manager, considers it necessary, submit proposals for the amendment of this policy to Council.

5.2.1.3 In terms of Section 116 of the Act, take all reasonable steps to ensure that the SLA & Contract Management Policy is implemented.

5.3 Conditions of contract

5.3.1 A contract or agreement procured through the Supply Chain Management System of the Municipality must:

5.3.1.1 Be in writing

5.3.1.2 Stipulate the terms and conditions of the contract or agreement, which must provide for:

5.3.2.1 The termination of the contract or agreement in the case of non- or underperformance

5.3.2.2 Dispute resolution mechanisms to settle disputes between the parties

5.3.2.3 A periodic review of the contract or agreement once every month or once every three years in the case of a contract or agreement for longer than three years; and

5.3.2.4 Any other matters that may be prescribed

5.4 Administrative capacity

The relevant Executive Manager designated thereto must establish capacity in his/her department to assist the accounting officer in carrying out the duties set out in Section 116(2) of the MFMA.

5.5 Management of contracts

5.5.1 The Accounting Officer and delegated officials must take all reasonable steps to:

5.5.1.1 Ensure that the SLA process is properly enforced and managed for all contracts

5.5.1.2 Ensure that a contract or agreement procured through the Supply Chain Management process of the municipality or a Council's Resolution is properly enforced.

5.5.1.3 Monitor on a monthly basis the performance of the contractor / lessee or beneficiary under the contract or agreement.

5.5.1.4 Administrate the contract with the necessary competencies and delegations, ensuring effective management of contracts.

5.5.2 The relevant Executive Manager must ensure that each contract owner in his/her department submit suppliers' performance reviews to him/her of all contracts under his/her control before the end of every month.

5.5.3 The Executive Manager must submit a consolidated performance review report to the SCM Manager within 3 working days after the end of each month for purposes of Section 116(2)(b) of the Act.

5.5.4 The SCM Manager must submit a consolidated performance review report of contracts or agreements for purposes of Section 116(2)(c), to the Accounting Officer within 5 working days after the end of each month.

5.5.5 The Accounting Officer must submit quarterly a consolidated performance review report on the performance of contracts or agreements for purposes of Section 116(2) (d), to Mancom or Council.

5.5.6 The Accounting Officer is responsible for signing of SLA's / Contracts with the relevant Service Provider, in line with the current approved Delegation of Powers Framework.

5.5.7 The Accounting Officer may delegate his responsibility for signing of SLA's/ Contracts to an Executive Manager in line with the Delegation of Powers.

5.6 Amendment of Contracts

- 5.6.1 A SLA / contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, only in exceptional circumstances, in order to mitigate abuse, to prevent financial inefficiencies and to influence financial sustainability.
- 5.6.2 In terms of Section 116(3) of the MFMA, (56 of 2003), amendments in compliance with SCM procedures, may only be made after:
- 5.6.2.1 The reason for the proposed amendments have been tabled in the council;
and
 - 5.6.2.2 The local community has been given reasonable notice of the intention to amend the contract or agreement; and
 - 5.6.2.3 Has been invited to submit representations to the Municipality.
- 5.6.3 Amendments of contracts where the expansion or variation is not more than (NT Circular 62)
- 5.6.3.1 20% (construction related goods, services and/or infrastructure projects),
and
 - 5.6.3.2 15% (all other goods and/or services) of the original value of the contract must be submitted directly to the Supply Chain Management Office for management and further reference to the SCM Committee system for approval.
- 5.6.4 Amendments of contracts where the expansion or variation is more than the threshold prescribed by National Treasury (Circular 62), must be dealt with in terms of the provisions of Section 116(3) of the MFMA, and are excluded from the process, as described in 5.6.3 above.
- 5.6.5 Amendments to a contract, without influencing the value or term of the contract, within the scope of the original terms and conditions, may be altered, provided that both parties have consensus on the amendment and the contract amendment is in writing and signed by both parties.
- 5.6.6 No agreement to amend or vary a contract shall be valid and of any force, unless such agreement to amend or vary is entered into in writing and is signed by both contracting parties.
- 5.6.7 When an amendment has a budgetary implication for a term longer than 3 (three) years, Section 33 of the MFMA will apply to this amendment, Section 116(3) of the MFMA will be followed with Section 33, when amending an existing contract for longer than 3 years.

6 MAINTENANCE AND CONTRACT ADMINISTRATION

- 6.1 Contract administration includes all administrative duties associated with a contract once it is adjudicated and implemented.
- 6.2 No rights in terms of an awarded contract will accrue before the SCM appeal period and/or appeal has been finalised.
- 6.3 The contract should be signed by all parties concerned (The relevant contract owner should also ensure that the suppliers have the delegated powers to sign and amend the contractual agreement).
- 6.4 The contract will only be enforceable after all the signatures of the relevant parties are documented.
- 6.5 A signed service level agreement (if applicable) must be compiled and signed, which will incorporate all the relevant sections of the tender documentation.
- 6.6 All once-off purchases shall have a specified end delivery date.

7 CONTRACT MANAGEMENT COMPROMISE OF A TWO (2) PHASE STAGE

Phase 1: Draft contract until approval (SLA Process)

Phase 2: Contract Management Process. (Contract verified by all role players, approved and signed by all parties).

8 ROLES AND RESPONSIBILITIES OF OFFICIALS: PHASE

8.1 The SCM Manager is responsible for:

8.1.1 The system administration, status and SCM performance reporting on all supply chain contracts related activities.

8.1.2 Must ensure that all Bid Committee Meeting Minutes are signed and captured on the Collaborator SLA System, after approval and are distributed to the responsible supply chain management official within 2 working days.

8.1.3 Must after awarding of a tender, ensure that the responsible official in the SCM Unit complete the relevant information on the Service Level Agreement template and capture all the supporting documents on the Collaborator system, within 2 working days and submit the draft SLA to the responsible contract owner.

8.2 The contract owner:

8.2.1 Must ensure that the information contained in the draft Service Level Agreement / contract is correct and justified.

8.2.2 That the Annexure "A" is attached and duly completed or amended, to the effect that it contains all the deliverables, time frames and payment schedules as agreed upon.

8.2.3 Must submit the draft Service Level Agreement within 2 working days to Legal Services department — Contract Management Officer/ SCM Officer

8.2.4 The contract owner is ultimately responsible for the monitor and management of all the activities during the SLA process and finalisation thereof.

8.3 Contract Management Officer/ SCM Officer

8.3.1 Must verify the draft Service Level Agreement / Contract; and

8.3.2 Ensuring that the correct information according to the Council/BAC resolution are captured in the draft Service Level Agreement and that Annexure 'A" is attached

8.3.3 Ensure that all relevant resolution(s) and supporting documents obtained are legal and uploaded on the electronic Service Level Agreement Process.

8.3.4 Amend the draft Service Level Agreement / Contract in consultation with the contract owner / user department; and

8.3.5 Submit it to the Manager Legal Services with comments if necessary

8.4 Manager Legal Services/ MANAGER OFFICE OF THE MUNICIPAL MANAGER

8.4.1 Must ensure that all the necessary legal formalities in entering into the contract are adhered to; or

8.4.2 Amend the draft SLA | contract in consultation with the contract owner | user department; and

8.4.3 Submit the draft SLA | Contract with comments to the Chief Financial Officer

8.5 Chief Financial Officer

8.5.1 Must scrutinize the draft SLA / Contract to verify that all the financial information | aspects are corrected and that the correct procurement procedures were followed; and

8.5.2 If in order, submits the draft SLA / Contract to the relevant departmental Executive Manager with comments.

8.6 The departmental Head of Departments

8.6.1 Must scrutinize the draft Service Level Agreement and ensure that the services / goods described in the draft Service Level Agreement / Contract are correct, in order and in line within the budget and procurement plan.

8.6.2 Comments on the contents on the draft Service Level Agreement / Contract and if in order submits it to the Manager Legal Services

8.7. Manager office of municipal Manager

- 8.7.1 Must finally verify if applicable, the appeal period had lapsed; whether
- 8.7.2 An appeal have been received and if it had been managed and finalised according the prescribed legislation and policies' processes; or
- 8.7.3 If no appeal have been received the final letter of appointment is attached and correct; and
- 8.7.4 Submits it with comments to the applicable departmental Executive Manager(s) to approve it or decline it.

8.8 The departmental Managers

Must within 1 working day approve or decline the Service Level Agreement |Contract and submit it with his/her comments to the responsible contract owner.

8.9 The Contract Owner

- 8.9.1 Must, according to the comments of the Executive Manager print the Service Level Agreement / Contract and take the necessary steps to engage the external parties to sign the contract, together with witnesses; and
- 8.9.2 Deliver the signed Service Level Agreement / Contract over to the Contract Management Officer.
- 8.9.3 If declined, end the Service Level Agreement process on Collaborator and inform the SCM Department accordingly.

8.10 Contract Management Officer/ SCM Officer

- 8.10.1 Must without delays record the SLA's received in Contract Management's contract register (hard copy)
- 8.10.2 Print a workflow of the SLA process applicable and attach it to the SLA / Contract and ensure that the SLA | Contract is signed by the Municipal Manager and witnesses; and
- 8.10.3 Hand the fully signed SLA / Contract to the Archives Department, on signature thereof.
- 8.10.4 Record the completed SLA / Contract in the Contract Register (hard copy)

9 PHASE 2: CONTRACT MANAGEMENT PROCESS

9.1 CORPORATE SERVICES Department

- 9.1.1 Ensure that the signed Service Level Agreement / Contract is captured on the Collaborator System and index it according to prescribed procedures; and

9.1.2 Forward the SLA / Contract on the Contract Management Process to the Contract Management Officer for further administration; and

9.1.3 Submit an alert to the communication section to upload the tender advertisement if applicable.

9.1.4 The Archives Department is also responsible for the safeguard and administration of an archived hard copy of the SLA / Contract and any applicable related documentation.

9.2 Communication Department

Must upload the tender advertisement if applicable

9.3 Contract Management Officer

9.3.1 Ensure that all signed Service Level Agreements | Contracts are captured on the electronic contract register on the Collaborator System. verified and managed according to the prescribed contract management processes.

9.3.2 Ensure that the contracts are correctly classified and alert dates for start, expiry, review and escalations of the SLA| Contract(s) are set and all the SLA's / Contract(s) are assigned to the relevant Contract Owner(s).

9.3.3 Inform the Asset Management Section of the Finance Department of the location of newly procured assets for asset register and insurance purposes.

9.3.4 Maintaining adequate electronic records in sufficient detail on an appropriate electronic contract file to provide an audit trail.

9.4 Contract Owner

9.4.1 Is responsible for the management of and reporting on all activities during the whole life cycle of a SLA | Contract

9.4.2 Ensuring that purchase orders are processed on the financial system in accordance with the deliverables and pricing schedule.

10 RECORD KEEPING

10.1 Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation.

10.2 All communication related to SLA's / Contracts must be linked to the master document on the electronic system, by the relevant official.

10.3 Safe custody of all SLA's / Contract documents must be enforced by all relevant users.

10.4 Contract owners and the Contract Management Officer are responsible for the electronic capturing of the contract information and maintenance thereof

on the Contract Management System.

10.5 The original signed SLA I Contract must be sent to the records department (by the contract management office) for safekeeping and storage.

10.6 The records department is responsible for the administration of archived contract documentation (Hard copies) (Archives Act)

11 CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

Umzimvubu Local Municipality may not enter into any contract that will impose financial obligations beyond three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the of the Municipal Finance Management Act have been fully complied with.

12 RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS /AND QUERIES

The Accounting Officer is responsible to establish a dispute resolution mechanism as required by Section 116(1) of the MFMA and the SCM Policy

13 CONTRACT PRICE ESCALATIONS

13.1 An appropriate contract price adjustment formula or specified terms of escalation must be specified in the bid documents.

13.2 Escalation notification must be in writing and presented before the implementation date thereof.

13.3 Contract owners & User departments are responsible to manage, verify and implement price escalations as per originally agreed terms and conditions set out in the specifications of the contract and keep proof of evidence to the newly agreed escalations on the system for all other relevant users & stakeholders to access.

14 PERFORMANCE ON CONTRACTS

14.1 The Accounting Officer must implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this policy were achieved in terms of the Performance Management System Implementation Policy.

14.1.1 Municipality's Performance

14.1.1.1 The Municipality is required to pay creditors within 30 days of receiving all relevant invoice statements.

14.1.1.2 The municipality is also required to create a favourable environment to receive services and goods without preventing the supplier to perform their duties.

14.1.1.3 All parties involved must perform according to the terms and conditions of the relevant contract, while the contract is alive.

14.1.2 Supplier Performance

14.1.2.1 The supplier of goods and services is required to perform as per terms and conditions agreed upon and should inform the municipality if circumstances prevent them to perform, (with reasons provided) within 5 working days (to be included in all contracts).

14.2.1 For all relevant deviations from the agreed terms and conditions of any contract, the Key Performance Indicator (KPI) should be reviewed, as well as the alignment with the strategic objectives established in the IDP.

14.2.2 Suppliers performance will be reviewed by Umzimvubu Local Municipality Officials on a monthly basis giving effect to section 116 of the MFMA, 2003 and the Performance Management System Implementation Policy.

14.2.3 Prescribed procedures to evaluate service providers must be complied with.

15 ENFORCEMENT OF THIS POLICY

15.1 The requirements of this policy must be included in the Contract / SLA of the Service Provider.

1. The performance of the Service Provider under the Contract or Service Level Agreement must be assessed monthly by the Contract Owner.
2. The assessment must be completed on the contract management system (Collaborator).
3. The Contract Owner must complete the Service Provider Assessment on the contract management system at the end of each month.
4. The quarterly assessment and reporting must be completed within 15 working days after the end of each quarter. (refer to the Performance management Framework Policy, paragraph 9.2.1).
5. The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period and on completion or termination of

the contract.

6. Supply Chain Management Unit (Contract Management Office) will review the quarterly Service provider assessments within 20 days after the end of each quarter and submit a summary report to Council.
7. The Accounting Officer need to develop the necessary forms and report structures to be utilised to manage the above processes. The forms and reporting requirements need to be reviewed on a regular basis.

In the instance of underperformance:

- 15.8.1 The Municipality will facilitate support interventions to service providers in the identified areas of underperformance.
- 15.8.2 Service Providers who have been identified as under-performing in Identified areas must be informed of these support interventions.
- 15.8.3 The impact of support interventions must be monitored by the reporting officer.
- 15.8.4 Corrective action should be documented in writing within the contract management system.
- 15.8.5 The records of the support interventions must be documented, signed by both parties and appropriately filed in the contract management system.

16. REVIEW OF CONTRACTS

- 16.1 In terms of Section 116 (1) of the MFMA, a contract or agreement procured through the Supply Chain Management system must have a periodic review once every three years in the case of a contract or agreement that are longer than three years.
- 16.2 The contract owner must conduct, as appropriate, within 3 months after the expiry of contracts, post contract reviews.

17. IMPLEMENTATION AND REVIEW PROCESS

This policy will come into effect2020;

This policy will be reviewed at least annually or when required by way of a Council Resolution.

18. AMENDMENT AND/OR ABOLITION OF THIS POLICY

This policy may be amended or repealed by Council as it may deem necessary.

Date of Approval: _____

Council resolution no.: _____

Approved by:

**GPT NOTA
MUNICIPAL MANAGER**

APPROVAL OF THE POLICY

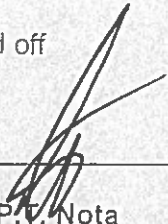
The Municipal Council has approved this policy and amendments thereof.

AUTHENTICATION

The amendments of the policy and or the new policy was adopted by the Council on the
29-01-2021

As per Council Resolution number ULMC: 359/2020/2021

Signed off



Mr. G.P.V. Nota

Municipal Manager



Cllr. N.F Ngonyolo

Speaker of the Council

