



# MAKHADO LOCAL MUNICIPALITY

## CONTRACT MANAGEMENT POLICY, 2021/2022

(Approved by Council Resolution -----)

*Vision: "A dynamic hub for socio-economic development by 2050"*

*Mission: "To ensure effective utilization of economic resources to address socio-economic imperatives through mining, agriculture and tourism"*

### Values

1. Distinctiveness (Uniqueness, Excellence)
2. Progressiveness (Open Minded)
3. Dynamic (Energetic, Lively, Self-Motivated)
4. Culpability (Accountability and Responsibility)
5. Efficacy (Effectiveness and Efficiency)
6. Adeptness (Expertise and Proficiency)

### Seven (7) Strategic Objectives

1. Promote Community Participation and Environmental Welfare
2. Invest In Local Economy
3. Advance Spatial Planning
4. Invest in Human Capital
5. Good Governance and Administrative Excellence
6. Sound Financial Management and Viability
7. Accessible Basic and Infrastructure Services

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## 1. INTRODUCTION

Effective contract management is vital for the efficient operation of any business entity. The importance of contract management in municipalities has been emphasized by introduction of the Municipal Finance Management Act no 56 of 2003. The following extract from section 116 of the Municipal Finance Management Act no 56 of 2003. Contracts and contract management are of particular relevance “A contract or agreement procured through the supply chain management system of a municipality or municipal entity must—

- 1.1 be in writing;
- 1.2 stipulate the terms and conditions of the contract or agreement, which must include provisions providing for—
  - (a) the termination of the contract or agreement in the case of non- or underperformance;
  - (b) dispute resolution mechanisms to settle disputes between the parties;
  - (c) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
  - (d) any other matters that may be prescribed.
- 1.3 The accounting officer of a municipality must—
  - a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain policy of the municipality is properly enforced;
  - b) monitor on a monthly basis the performance of the contractor under the contract or agreement;
  - c) establish capacity in the administration of the municipality or municipal entity—
    - (i) to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b); and
    - (ii) to oversee the day-to-day management of the contract or agreement; and
    - (iii) regularly report to the council of the municipality, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.
    - (iv) A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after—
      1. the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
      2. the local community—
        - (aa) has been given reasonable notice of the intention to amend the contract or agreement; and
        - (bb) has been invited to submit representations to the municipality or Municipal entity;

## **2. ROLE PLAYERS OF CONTRACT MANAGEMENT**

2.1 Contract Administration/Supply Chain Management

2.2 Legal Services

2.3 Contract Management/Project Manager

## **3. CUSTODIAN OF BID DOCUMENTS AND CONTRACT DOCUMENTS**

a) All bid documents and Contract Documents shall be kept by the Supply Chain management divisions and records management division

b) No directorate shall keep original bid documents and contracts in their offices

b) Directorates will however be allowed to keep copies of contracts and bid documents for assessment purposes

## **4. ROLE OF PROJECT MANAGEMENT AND CONTRACT ADMINISTRATION**

### **4.1 Project Manager**

(a) Nominated by the Director to manage the specific project

Often reflected as reporting officer in terms of the suppliers performance management system

(b) Responsibilities of Project Manager:

(i) Quality control, financial management and other technical expertise needed for the success of the project.

(ii) Facilitates the signing of contract with the services provider.

(iii) Assessing performance in line with the Suppliers Performance Monitoring System

### **4.2 Contract Administration**

(a) Official from Supply Chain Management division will be responsible for Contract Administration

(b) Responsibilities for Contract Administration Officer:

(i) Safekeeping of all contract related documents

(ii) Advise the reporting officer/Project Manager and Legal Adviser:

(1) Drafting of service level Agreement

(2) Price adjustment

(3) Contract's expiry date

(iii) Reporting on performance of supplier to the accounting officer and council

## **5. SCOPE AND OBJECTIVES**

5.1 The objective of this policy is to set out the procedure that should be followed when drafting, monitoring, cancelling or renewing contracts or agreements procured through the supply chain management of the municipality.

5.2 This policy applies to all contracts entered into by the Municipality as results of its supply chain management policy.

5.3 This policy should be read and used in conjunction with the Municipality's Supply Chain Management Policy.

## **6. PROCEDURES WHEN DRAFTING CONTRACTS**

6.1 All contracts of the municipality should be in writing and should at least include the following:

- (a) Termination of the agreement in case of non or under-performance
- (b) Dispute resolution mechanisms to settle disputes between the parties
- (c) Price of the goods or services to be delivered to the municipality and performance will be evaluated.
- (d) Penalties in case of non-performance or under performance
- (e) Duration of the contract
- (f) A periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years.

6.2 All contracts for the municipality should be handed over to the municipality legal adviser for review before being signed by the accounting officer or delegated official.

6.3 The following are regarded as contracts that have serious financial implications:

- (a) Contract value to the amount of R200 000.00 or more
- (b) Contract for the period of more 12 months and more.

## **7. PROCEDURE AFTER SIGNING CONTRACTS**

7.1 After the contract has been signed by the Accounting Officer it should be entered into the contract register that should be maintained by the Contract Administration Officer. The register should at least include the following information (See Annexure A):

- a Date that the contact was signed
- b Contract Number
- c Name of the contractor
- d Brief description of the goods or services to be provided
- e Duration of the contract
- f Review date if it is a contract of more than three years
- g Remarks/Comments
- h Financial implications e.g. increase in rent amount

The Contract Administration Officer should update this register on monthly basis with all contracts entered into by the municipality during that month.

## **8. REVIEW OR TERMINATION OF CONTRACTS**

8.1 The Head Supply Chain Management should inform the relevant Head of Department and/or Accounting Officer about the date of the review of the contract, at a reasonable period before the review date.

8.2 In case of non-performance or under-performance by the contractor remedies as outline in the contract should be used by the Municipality.

## **9. AMENDMENT OF CONTRACT.**

9.1 A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after—

(a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and the local community:

- (i) has been given reasonable notice of the intention to amend the contract or agreement; and
- (ii) has been invited to submit representations to the municipality or municipal entity.

## **10. VARIATION ORDER**

10.1 Contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract.

10.2 The Accounting Officer shall be delegated to approve variation order as per section 9.1

## **11. REPORTING TO COUNCIL ON CONTRCAT MANAGEMENT**

11.1 The Head of Supply Chain Management Unit with the assistance of Contract Administration officer should prepare on quarterly basis a report for submission to the Accounting Officer on the state of all contract entered into through the municipality supply chain management system. This report is required by section 116 subsections (d) of the Municipal finance management act, No 53 of 2003.

11.2 The following information should be contained in the report:

- Contract Number
- Name of the contractor
- Brief description of the goods or services to be provided
- Duration of the contract
- Penalties under the contract
- Payments made to date
- Penalties paid by the municipality or contractor
- Amendments to the contract
- Remarks from site meeting or contract steering committee meeting that have impact on the contract.
- Progress report from the head of department that procured the goods or services.
- Any delays that might have impact on the completion of the contract

12. **ANNEXURES**

Annexure A is typical annexures applicable to all Municipal contracts. Information may vary in detail depending on the nature of the project.









**AUTHORIZED BY SIGNATURE**

I, THE UNDERSIGNED, CLLR L B MOGALE, SPEAKER, HEREBY CERTIFY THAT THIS CONTRACT MANAGEMENT POLICY, 2020/2021 IS AN EXTRACT AS FILED IN THE OFFICIAL AGENDA OF THE 514<sup>th</sup> EXECUTIVE COMMITTEE MEETING HELD ON 22 JUNE 2020 AND APPROVED BY COUNCIL AT ITS 153<sup>rd</sup> SPECIAL MEETING HELD ON 26 JUNE 2020 UNDER COUNCIL RESOLUTION A.\_\_\_\_\_.

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CLLR L B MOGALE

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DATE