

KAROO HOOGLAND MUNICIPALITY



CONTRACT MANAGEMENT POLICY 2021/2022

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DEFINITIONS

In this Policy, unless the context indicates otherwise:

Accounting Officer (in relation to a municipality) means the municipal official referred to in section 60 of the MFMA (2003); and includes 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 in relation and pursuant to the objects of, the MFMA.

Construction Industry Development Board (CIDB): means the Construction Industry

Contingencies means a percentage of concept budget allowed for unforeseeable programmatic and design changes which occur over the course of the execution.

Contract Alteration means changing grammatical 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 and also extends to any concomitant price variations and variation orders. (In context of Circular 62 and section 116 (3) of the MFMA).

Contract Lifecycle Management means the process by which the municipality strengthens and taps into the value of its contract portfolio, this includes risk management, managing budgets and successful delivery of the project according to management expectations.

Contract Lifecycle means the period from the planning of the contract, its inception, management, and termination of such contract.

Contract Management means the administrative activities by all role players, including the SCM Contract Manager, Contract Owner, Project Manager and Service Provider or Supplier, associated with contracts, and includes processes associated with the invitation to bid, bid evaluation, award of contract, contract implementation, measurement of work completed, and computation of payments. It also includes monitoring the contract relationship, addressing related problems, incorporating necessary changes or modifications in the contract, ensuring both parties meet or exceed each other's expectations, and actively interacting with the contractor to achieve the contract's objective(s).

Contract means the acceptance of a bid (offer) by the Municipality pursuant to the compliance with the Karoo Hoogland Local Municipality Supply Chain Management Policy/ Model SCM Policy for Infrastructure procurement, its enabling legislation and any other requirements in law.

Contract Owner means the Municipal Manager, a Technical Manager (Divisional head) including Chief Financial Officer, or a delegate (also a Project Manager), or Manager, as the case may be, that is ultimately accountable for all activities during the life cycle of the contract. The Contract Owner can also be seen as the Budget holder. Director Appointment according to sect 56 of the Local Government: Municipal Systems Act Delegation (in relation to a duty) includes an instruction or request to perform or to assist in performing the duty.

Contract variation or variation order means an alteration to the scope of works in a construction or service contract in the form of addition, subtraction, substitution or omission from the original scope.

Delegation (In relation to a duty): Includes an instruction or request to perform or to assist in performing the duty. Such delegation must be in writing.

Development Board (CIDB), a national body established by the Construction Industry Development Board Act of 2000 (Act 38 of 2000)

Employer's health and safety agent: the person appointed as agent by the employer in terms of Regulation 4(5) of the Construction regulations and named in the contract data as the being the employer's agent responsible for health and safety matters.

Force Majeure is the expression used to denote irresistible superior force which might cause damage or prevent the execution of an obligation, therefore suppliers are not liable for damages caused by force majeure or for failure to carry out a contract if prevented (Term and conditions in this regard will be determined by every individual contract/s).

Health and safety plan: a documented plan which addresses hazards identified and includes safe work procedures to mitigate, reduce or control the hazards identified

Official 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.

Price escalation means the changes in the cost or price of specific goods or services in a given economy over a period.

Project funding means the allocated funds to cover all costs associated with acquisition, implementation, monitoring and handover/commissioning of the project. A project may be funded from more than one source as per the approved budget.

Project Manager means the official within a specific department, responsible for all day to day activities (including performance management and dispute resolution) during the life cycle of the contract (with delegated powers to perform this function).

SCM Contract 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.

Service Level Agreement (SLA) means an agreement between a service provider and the SPM that defines the level of service expected from the service provider. This agreement is either included in the contract or serves as an addendum to the contract. The SLA is subservient in its interpretation and application to the main contract.

Standard contract is a contract between two parties where the terms and conditions of the contract are set by one of the parties and the other party has little or no ability to negotiate more favorable. In the case of the municipality, standard contracts shall be initiated by the municipality as the employer and negotiate in good faith with the contracted service provider. For software maintenance, the contract shall be initiated by the service provider as they carry extensive knowledge of their systems, and the municipality shall cover itself in the Master Agreement on the system, software application or program

developed.

Standard forms of contract for Infrastructure delivery:

Means the standard forms of contracts selected from, and be suitable for use under the conditions described in **Annexure A: Table 2: Approved forms of contract related to the delivery and maintenance of infrastructure**. The standard forms of contract shall be used with minimal contract amendments which do not change their intended usage and shall only be amended when absolutely necessary to accommodate special needs. Adjudication shall be used to resolve disputes arising during the performance of a contract prior to proceeding to either arbitration or litigation.

Users means all officials as set out in the organogram of the Karoo Hoogland Local Municipality involved with contracts and includes officials performing various functions in terms of such contracts.

ABBREVIATIONS

AMU	<i>Asset Management Unit</i>
B-BBEE	<i>Broad-Based Black Economic Empowerment</i>
B.o.Q	<i>Bill of Quantities</i>
BTO	<i>Budget and Treasury Office</i>
GCC	<i>General Conditions of Contract.</i>
MFMA	<i>Municipal Finance Management Act, 2003 (Act No. 56 of 2003)</i>
MSA	<i>Municipal Systems Act, 2000 (Act No. 32 of 2000)</i>
NT	<i>National Treasury established by section 5 of the Public Finance Management</i>
PMS	<i>Performance Management System</i>
SCC	<i>Special Conditions of Contract</i>
SCM	<i>Supply Chain Management</i>
SLA	<i>Service Level Agreement</i>
VAT	<i>Value Added Tax</i>
LED	<i>Local Economic Development</i>
FIDPM	<i>Framework for Infrastructure Delivery and Procurement Management</i>
PG	<i>Procurement Gate</i>

PREAMBLE

Properly managed contracts by all stakeholders involved, can ensure that services are delivered within specifications as set and agreed by all, during the specifications phase and at the agreed cost, (inclusive of VAT and escalation clauses in contracts) time period and qualities of the goods and services as well as infrastructure procured.

All contracts must be managed throughout the **Contract Life Cycle**, based on the level of management control appropriate for the classification of that contract.

Improperly managed contracts may impact negatively on service delivery and may have financial implications. Adverse effects of ineffective contract management include but are not limited to:

1. Goods and services outside of specification;
2. Cost overruns;
3. Poor suppliers-, buyer- or other stakeholder relations;
4. Negative public perception, and
5. Potentially complete service delivery failures.

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 directorates following a centralized strategy of contract management. This policy must be read in conjunction with all the SCM Policies of the Karoo Hoogland Local Municipality.

OBJECTIVES

The objectives of this policy are to give effect to Section 217 of the Constitution of South Africa (1996) which stipulates that:

When 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, it must do so in accordance with a system which is:

- a. Equitable
- b. Transparent
- c. Competitive
- d. Cost-effective and
- e. Fair

This is also aligned with the Municipal Finance Management Act, Chapter 11.

The Supply Chain Management Policy ensures effective and efficient control of contracts procured through the SCM procedures, thus ensuring that:

- a) Proper recording and enforcement of contracts throughout the contract life cycle prevails (specifications to contract reviews);
- b) Support the demand management framework as set out in Circular 62 of National Treasury (August 2012), optimizing proper planning, resulting in effective service