



# SLA AND CONTRACT MANAGEMENT POLICY

---

Date  
Approved: **27 May 2020**

Council  
Resolution (DC  
No): **C.1**

## Contents

1. Pre-amble .....	3
2. Definitions .....	<b>Error! Bookmark not defined.</b>
3. Policy Statement.....	4
4. Managing of SLA's and Contracts.....	5
5. Maintenance of Contract Administration .....	8
6. Contract Management consists of a two phase stage .....	8
7. Roles and responsibilities of officials.....	8
8. Phase 2 – Contract Management Process.....	10
9. Contracts having budgetary implications beyond 3 years .....	12
10. Resolution of disputes, objections, complaints & queries .....	12
11. Contract Price Escalations.....	12
12. Performance on Contracts .....	12
13. Enforcement of this Policy .....	13
14. Implementation and review process .....	14

**1. PRE-AMBLE**

The Municipal Manager is appointed in terms of section 54A of the Local Government Municipal Systems Act, No 32 of 2000 (hereinafter referred to the MSA) 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 Local Government: Municipal Finance Management Act, No 56 of 2003 (hereinafter referred to as the MFMA) and Regulations.

Section 116 of the MFMA 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 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 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 Garden Route District 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.
Circular 62	means communication from National Treasury by means of a Circular to enhance compliance and accountability to SCM Regulations and the MFMA.
Contract	Means the agreement that results from the acceptance of a bid by the Municipality (mutual agreement)
Contract Amendment	Means any amendment/change to the SLA/contract
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
Executive Manager: Finance	Means the Executive Manager: Finance
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 Garden Route District Municipality involved with contracts

### 3. POLICY STATEMENT

The intent of this policy is to establish a uniform governance structure for the management of SLA's / contracts and other legal binding documents, throughout Garden Route District Municipality (hereinafter referred to as GRDM), which are aligned to national and international best practise frameworks.

#### **The policy aims to ensure that:**

- a. All decisions taken by the GRDM by means of Management / Mayoral or Council Resolutions, which emanated in transactions, that involves a contract, whether explicitly agreed to in writing or implicitly implied through actions must be complied with. (Including donations, land sales or leases, MOU's between GRDM and other stakeholders, etc.)
- b. That effective and efficient control of goods or services procured through the SCM system must be secured by a contract.
- c. Proper recording, management, review and enforcement of contracts throughout the contract life cycle, are complied with.
- d. Minimises the risk when GRDM enters into and manages contracts by facilitating GRDM's business.
- e. Ensure quality performance and value for money is achieved, in line with expectations to optimize the efficient and sustainable financial wellbeing of the GRDM, resulting in lower cost drivers.
- f. Maximised supplier and industry engagement to ensure interest to a competitive and willing market exist.
- g. 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 conjunction with the SCM Policy of GRDM.

## **4. MANAGING OF SLA'S & CONTRACTS**

### **4.1 Application and Framework of the SLA & contract management policy**

- 4.1.1 All officials and other role players in the GRDM must implement this Policy in a way that gives effect to:
  - 4.1.1.1 Section 217 of the Constitution
  - 4.1.1.2 Section 116 of the MFMA
  - 4.1.1.3 Section 33 of the MFMA; SCM Policy
  - 4.1.1.4 SCM Regulations; and
  - 4.1.1.5 Any other legislation pertaining to SCM
  - 4.1.1.6 Contracts emanated from Council's resolutions
- 4.1.2 This Policy applies when the GRDM:
  - 4.1.2.1 Procures good or services
  - 4.1.2.2 Disposes of goods no longer needed
  - 4.1.2.3 Sales, lease of land or other movable and immovable assets
  - 4.1.2.4 Provide funding to beneficiaries; and
  - 4.1.2.5 Selects service providers and suppliers to provide assistance in the provision of municipal services including circumstances where Chapter 8 of the MSA applies.

### **4.2 Adoption, Amendment and Implementation of the Contract Management Policy**

- 4.2.1 The Accounting Officer or the Executive Manager must:
  - 4.2.1.1 at least annually review the implementation of this Policy; and
  - 4.2.1.2 submit proposals for the amendment of this policy to Council when applicable;
  - 4.2.1.3 take all reasonable steps to ensure that the SLA & Contract Management Policy is implemented and the provisions of section 116 of the MFMA is complied with.

### **4.3 Conditions of contract**

- 4.3.1 A contract or agreement procured through the Supply Chain Management System of the GRDM must:
  - 4.3.1.1 be in writing
  - 4.3.1.2 stipulate the terms and conditions of the contract or agreement, which must provide for:
    - 4.3.1.2.1 the termination of the contract or agreement in the case of non- or underperformance
    - 4.3.1.2.2 dispute resolution mechanisms to settle disputes between the parties

4.3.1.2.3 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

4.3.1.2.4 any other matters that may be prescribed.

#### **4.4 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.

#### **4.5 Management of contracts**

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

4.5.1.1 ensure that the SLA process is properly enforced and managed;

4.5.1.2 ensure that a contract or agreement procured through the SCM process or a Council Resolution is properly enforced;

4.5.1.3 monitor on a monthly basis the performance of the contractor / lessee or beneficiary under the contract or agreement;

4.5.1.4 administers the contract with the necessary competencies and delegations, ensuring effective management of contracts.

4.5.2 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.

4.5.3 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.

4.5.4 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.

4.5.5 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.

4.5.6 The Accounting Officer is responsible for signing of SLA's / Contracts with the relevant Service Provider.

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

#### **4.6 Amendment of Contracts**

- 4.6.1 A SLA / contract or agreement procured through the SCM Policy may be amended by the authorised parties with the prior written consent of both parties to mitigate abuse, prevent financial inefficiencies and to influence financial sustainability.
- 4.6.2 In terms of Section 116(3) of the MFMA, amendments in compliance with SCM procedures, may only be made after:
- 4.6.2.1 the reason for the proposed amendments have been tabled in the council; and
  - 4.6.2.2 the local community has been given reasonable notice of the intention to amend the contract or agreement; and
  - 4.6.2.3 the local community has been invited to submit representations to the GRDM.
- 4.6.3 This policy will provide for amendments of contracts where the expansion or variation is not more than:
- 4.6.3.1 20% (construction related goods, services and/or infrastructure projects), and
  - 4.6.3.2 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.
- 4.6.4 Amendments of contracts where the expansion or variation is more than the threshold of this policy, it 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 4.6.3 above.
- 4.6.5 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.
- 4.6.6 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.

## **5 MAINTENANCE AND CONTRACT ADMINISTRATION**

- 5.1 Contract administration includes all administrative duties associated with a contract once it is adjudicated and implemented.
- 5.2 No rights in terms of an awarded contract will accrue before the SCM appeal period and/or appeal has been finalised.
- 5.3 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).
- 5.4 The contract will only be enforceable after all the signatures of the relevant parties are documented.
- 5.5 A signed SLA (if applicable) must be compiled and signed, which will incorporate all the relevant sections of the tender documentation.
- 5.6 All once-off purchases shall have a specified end delivery date and include the deliverables.
- 5.7 the system administration, status and SCM performance reporting on all supply chain contracts related activities.

## **6. CONTRACT MANAGEMENT CONSIST 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)

## **7. ROLES AND RESPONSIBILITIES OF OFFICIALS:**

**Phase 1:**     **Draft SLA/contract until approval (SLA Process)**

### **7.1 The SCM Manager is responsible for:**

- 7.1.1 ensuring that all approved minutes of the Bid Committee Meetings are signed and captured on the Contract Management System and are distributed to the responsible supply chain management official within 2 working days.
- 7.1.2 ensuring that the responsible official from the user department completes the relevant information on the SLA template and captures all the supporting documents on the Contract Management System, after a tender has been awarded and within 2 working days submit the draft SLA to the responsible contract owner.



**7.2 The contract owner:**

- 7.2.1 must ensure that the information contained in the draft SLA / contract is correct and justified;
- 7.2.2 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;
- 7.2.3 must submit the draft Service Level Agreement within 2 working days to Legal Services department – Contract Management Officer.
- 7.2.4 the contract owner is ultimately responsible for the monitor and management of all the activities during the SLA process and finalisation thereof.

**7.3 Contract Management Officer:**

- 7.3.1 must verify the draft SLA / Contract; and
- 7.3.2 ensure that the correct information according to the Council/BAC resolution are captured in the draft SLA and that Annexure "A" is attached
- 7.3.3 Ensure that all relevant resolution(s) and supporting documents obtained are legal and uploaded on the electronic SLA Process.
- 7.3.4 Amend the draft SLA / Contract in consultation with the contract owner / user department; and
- 7.3.5 Submit it to the Manager Legal Services with comments.

**7.4 Manager Legal Services:**

- 7.4.1 Must ensure that all the necessary legal formalities in entering into the contract are adhered to; or
- 7.4.2 Amend the draft SLA / contract in consultation with the contract owner / user department; and
- 7.4.3 Submit the draft SLA / Contract with comments to the Executive Manager Finance.
- 7.4.4 After verification by Executive Manager Finance and Executive Manager
  - 7.4.4.1 he/she must verify the final SLA / Contract, and determine, if applicable, whether:

7.4.4.1.1 an appeal have been received and dealt with according to the prescribed legislation / policies' processes; or

7.4.4.1.2 if no appeal have been received the final letter of appointment is attached.

7.4.5 Submits it with comments to the applicable Executive Manager(s) for approval.

## **7.5 Executive Manager Finance:**

7.5.1 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

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

## **7.6 The Executive Manager(s):**

7.6.1 Must scrutinize the draft SLA and ensure that the services / goods described in the draft SLA / Contract are correct, in order and in line within the budget and procurement plan.

7.6.2 Comments on the contents on the draft SLA / Contract and if in order submits it to the Manager Legal Services.

7.6.3 After verification by all role-players and within 3 working days, approve the SLA / Contract and submit it with his/her comments to the responsible contract owner.

## **8. Phase 2: Contract Management Process (SLA/Contract verified by all role players and approved).**

### **8.1 The Contract Owner:**

8.1.1 Must, according to the comments of the Executive Manager print the SLA / Contract and take the necessary steps to engage the external parties to sign the contract, together with witnesses; and

8.1.2 Deliver the signed SLA / Contract over to the Contract Management Officer.

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

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

## **8.2 Contract Management Officer:**

- 8.2.1 Must without delays record the SLA's received in Contract Management's contract register (hard copy).
- 8.2.2 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
- 8.2.3 Deliver the fully signed original signed SLA / Contract to the Archives Department, for recording on the electronic contract management system and for safekeeping and storage.
- 8.2.4 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.
- 8.2.5 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).
- 8.2.6 Inform the Asset Management Section of the Finance Department of the location of newly procured assets for asset register and insurance purposes.
- 8.2.7 Maintaining adequate electronic records in sufficient detail on an appropriate electronic contract file to provide an audit trail.
- 8.2.8 Ensure that an printed copy of the electronic contract register is signed off by his/her Executive Manager on a monthly basis.
- 8.2.9 Report to MANCOM on a quarterly basis on the status of contract management.

## **8.3 Archives Department:**

- 8.3.1 Ensure that the signed SLA / Contract is captured on the electronic contract management system (contract register) and index it according to prescribed procedures; and
- 8.3.2 Forward the SLA / Contract on the Contract Management Process to the Contract Management Officer for further administration; and
- 8.3.3 Submit an alert to the communication section to upload the tender advertisement if applicable.
- 8.3.4 Responsible for the safeguard and administration of an archived hard copy of the SLA / Contract and any applicable related documentation.

- 8.3.5 Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation.
- 8.3.6 All communication related to SLA's / Contracts must be linked to the master document on the electronic system, by the relevant official.
- 8.3.7 Safe custody of all SLA's / Contract documents must be enforced by all relevant users in the archives department.
- 8.3.8 The records department is responsible for the administration of archived contract documentation (Hard copies) (Archives Act)

#### **8.4 Communication Department:**

Must upload the tender advertisement if applicable

### **9. CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS**

Garden Route District 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 MFMA have been fully complied with.

### **10. 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.

### **11. CONTRACT PRICE ESCALATIONS**

- 11.1 An appropriate contract price adjustment formula or specified terms of escalation must be specified in the bid documents.
- 11.2 Escalation notification must be in writing and presented before the implementation date thereof.
- 11.3 Contract owners & Line 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.

### **12. PERFORMANCE ON CONTRACTS**

- 12.1 The Accounting Officer must implement an internal monitoring system (workflow) 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.

### **12.1.1 GRDM's Performance**

- 12.1.1.1 GRDM is required to pay creditors within 30 days of receiving all relevant invoice statements.
- 12.1.1.2 GRDM is also required to create a favourable environment to receive services and goods without preventing the supplier to perform their duties.
- 12.1.1.3 All parties involved must perform according to the terms and conditions of the relevant contract, while the contract is alive.

### **12.1.2 Supplier Performance**

- 12.1.2.1 The supplier of goods and services is required to perform as per terms and conditions agreed upon and should inform GRDM if circumstances prevent them to perform, (with reasons provided) within 5 working days (to be included in all contracts).
- 12.1.2.2 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.
- 12.1.2.3 Suppliers performance will be reviewed by GRDM Officials on a predetermined basis giving effect to section 116 of the MFMA, and the Performance Management System Implementation Policy.

## **13. ENFORCEMENT OF THIS POILICY**

- 13.1 The performance of the Service Provider under the Contract or Service Level Agreement must be assessed monthly by the Contract Owner.
- 13.2 The assessment must be completed on the contract management system within 3 days.
- 13.3 The Contract Owner must complete the Service Provider Assessment on the contract management system at the end of each month.
- 13.4 The quarterly assessment and reporting must be completed within 15 working days after the end of each quarter.
  - 13.4.1 In the instance of underperformance:
  - 13.4.2 GRDM will facilitate support interventions to service providers in the identified areas of underperformance.
  - 13.4.3 The impact of support interventions must be monitored by the Contract Owner.

13.5 Continuous training must be provided on Contract Management System.

#### **14 IMPLEMENTATION AND REVIEW PROCESS**

This policy will come into effect .....2020;

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