


# Contract Management Policy

## Policy – OP194

Prepared	Reviewed	Approved	Date
Procurement Unit	SMT	CMT	Dec 2020
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CEO Signature: 			20 June 2022

### 1. The purpose of this policy is

To ensure that parties to a contract meet their respective obligations as efficiently and effectively as possible in order to deliver value for money to Council.

This policy must be read in conjunction with Council's Contract Management Guidelines.

### 2. Policy Statement

Council is committed to ensuring that it receives goods, services or works provided to the required standards of quality and quantity as intended by a contract by:

- Utilising a systematic approach reinforcing the performance of both parties responsibilities and obligations under the contract;
- For strategic and complex projects look at the possibility to outsource specialist Contract and Project Management skills and knowledge
- Providing a means for the early recognition of issues and performance problems and the identification of solutions;
- Ensuring systems and processes are in place to facilitate effective contract management;
- Adhering to Council's Risk Management Framework and adhering to relevant OH&S Contractor Compliance Rules.
- Clearly recording and documenting all information pertaining to the holistic end to end management of the contract

### 3. Principles

#### General Principles

- Council will ensure that it receives the goods, services or works provided under a contract to the required standard of quality and quantity as intended by the contract
- Council will proactively reinforcing the performance of obligations and responsibilities under a contract

- Early recognition of issues and performance problems should be achieved to allow for identification of solutions
- Contracts must be proactively managed by an appropriated skilled and trained member of Council staff responsible for the delivery of the contracted goods, services or works (Contract Manager)
- Contact Manager is responsible for the recording of the mandatory required information as per the attached appendix 1
- A determination should be made by the Contract Manager of the approach to be adopted, based on an assessment of the contract

### **Contract Establishment**

- Contracts must be signed or executed only by Councilors or Council Officers with the required level of financial delegation.
- All contracts must appoint an appropriately skilled and experienced Contract Manager, Contract Superintendent or Contact Supervisor who is responsible for management of the contract.
- The Contract Manager may delegate or assign particular functions or obligations to another staff member but remains responsible for management of the contract.
- Key Performance Indicators should be considered for inclusion in all contracts and are mandatory in all service contracts with a value in excess of \$500,000.
- Where a dispute concerning the contract arises, the Contract Manager is to take a leadership role in dispute resolution.

### **Contract Insurance**

Insurance required under a contract shall be:

- Workcover (if applicable)
- Public liability insurance of \$10m in the name of the contractor and Council named as an Interested Party
- Professional indemnity insurance of \$5m, where contractor is providing expert advice
- Insurance of works under contract to be in joint names of the contractor, Council and any sub-contractors (only applicable to contracts for works)

Variations to the above insurance requirements can only be approved by the relevant General Manager.

### **Variations to Contracts**

Council has established a process for contract variation, including monetary or non-monetary variations. All contract variations must be documented, appropriately approved and accepted by the Contractor.

Variations should not be used to mask poor performance or serious underlying problems, including poor project scoping and/or omissions from specifications. The effect on original timeframes, deliverables and value for money should be assessed. If the effects are significant, senior management and other stakeholders need to be consulted and/or advised.

Variations resulting in an increase to the value of the contract must be approved as follows:

<b>Value of Variations</b>	<b>Approval Required By</b>
Under \$250,000	Officer with appropriate financial delegation
Greater than \$250,000 but less than \$1,000,000	CEO or Council
Greater than \$1,000,000	Council

If Council approval is required, the approval may include an estimate for future variations. The CEO will then have the authority to approve these future variations in line with this approval.

Variations to contracts should not exceed the amount of contingency approved for the contract. Where there is no specifically approved contingency amount, contingency will be defined as the available budget remaining in the project.

Where variations exceed or are likely to exceed available contingency, approval to increase contingency is required by the Executive Leadership Team (ELT).

A variation cannot be approved at any level in the organisation for any value that is not included in a budget approved by Council.

Where a variation results in no change to the overall value of the contract or a reduction to the overall value of the contract, approval is required by the Manager of the relevant area.

### **Contract Completion**

A contract is considered complete when all activity associated with the contract has ceased and all accounts have been paid. Tasks that may be required by the Contract Manager/Owner at the completion of a contract include:

- ensuring the contract deliverables to ensure that the goods or services have met the contract requirements
- ensuring that permits and approval conditions have been satisfied
- confirming that contract records are complete and accurate
- acquitting any funding grants
- ensuring any defects, omissions or outstanding services have been rectified, completed or delivered.
- issuing a certificate of practical completion and final certificate
- returning any security held

#### **4. Who is responsible for implementing this policy?**

All staff who are responsible for the management of a contract or contractor are responsible for implementing this policy.

#### **5. Definitions**

*Contract* An agreement between Council and a supplier of goods and/or services evidenced by a legal binding

	document containing conditions relating to the supply of goods/services and responsibilities assigned.
<i>Contractor</i>	An external person/business that provides a service to Council.
<i>Contract Owner</i>	Officer who is ultimately accountable for the contract/project. (This is normally in line with Financial Delegations or Delegation of Council).
<i>Contract Manager, Superintendent or Supervisor</i>	Council Officer or agent assigned by the Contract Owner to have the responsibility for the operational administration of the contract.
<i>Sub-Contractor</i>	A service provider to a principal contractor. Must comply with the same requirements as the Contractor, including prequalification.

## 6. Legislation and other references

### 6.1 Legislation

For further information related to this policy see:

- The appropriate Australian Standard code of tendering conditions of contract and specifications AS 4120-1994
- National Competition Principles Act 1995
- Freedom of Information Act 1982
- Freedom of Information (Amendment) Act of 1993
- Information Privacy Act 2000 No 88
- Section 108 Local Govt Act 2020
- Trade Practices Act. 1974
- OH&S Act 2004 and associated regulations
- Local Government (General) Regulations 2004 (as amended)

### 6.2 Documents

This Policy is implemented in conjunction with the following documents:

- Procurement of Goods, Services and Works Policy
- Procurement of Goods, Services and Works Guidelines
- Australian Standard 4000 – 1997: General Conditions of Contract
- Australian Standard 4122 – 2010: Conditions of Contract for engagement of Consultants
- Australian Standard 4305 – 1996 Conditions of Contract for Minor Works (projects up to \$250,000)
- Australian Standard 4902 – 2000: Conditions of Contract for Design and Construct
- General Conditions – Provision of Services
- Victorian Local Government Best Practice Procurement Guidelines– Department of Planning and Community Development, Local Government Victoria

- MAV Procurement – Contract Management Guidelines

### 6.3 Risk Assessment Reference

Please tick the corporate risk(s) that this policy is addressing.

<b>Risk Category</b>	✓	<b>Risk Category</b>	✓
Asset Management		Financial Sustainability	✓
Committees		Human Resource Management	
Compliance – Legal & Regulatory	✓	Leadership & Organisational Culture	
Contract Management	✓	Occupational Health & Safety	✓
Contract Tendering & Procurement	✓	Organisational Risk Management	✓
Corporate Governance	✓	Project Management	✓
Environmental Sustainability		Public Image and Reputation	✓

#### Appendix 1

<b>Mandatory Requirements</b>	<b>Contract Manager</b>	<b>Procurement Unit</b>	<b>OHS</b>	<b>Management</b>	<b>Contractor</b>
<b>Contract Signed and Saved into RM</b>		✓			
<b>Ongoing completion of Contract Management Recording Tool</b>	✓				
<b>Contractor Prequalified</b>	✓				
<b>Ensure OHS Compliance - SWMS</b>	✓				
<b>Insurance Requirements Met and Maintained</b>	✓				
<b>Collecting Bank Guarantees</b>	✓				
<b>Holding Retention Money</b>	✓				
<b>KPI Captured – All Service Contracts over \$500,00</b>	✓				
<b>Raise Purchase Order</b>	✓				
<b>Ensure Contractor is being paid on time</b>	✓				
<b>Issue Practical Completion Certificate</b>	✓				
<b>Issue Final Completion Certificate</b>	✓				
<b>Defect Rectification</b>	✓				

Raise Variations for Approval	✓				
Return any security on expiry of defects liability period	✓				
Formal notification regarding contract extensions		✓			
Financial Approvals Including Variations				✓	
Issue and provide accurate invoices in line with contractual payments requirements. Invoice must include Purchase Order Number					✓
OHS Unit will follow up on expired contractors			✓		
Dispute Resolutions to be carried out by the contract manager and entered into the Recording Tool	✓				
All contract issues and correspondence captured into Councils RM System.	✓				
Variations captured in Recording Tool	✓				
Variation Approvals in RM Notes				✓	
Review and final completion of the contract	✓				