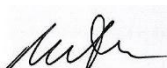


# Contract Management Policy

## Policy – OP194

Prepared	Reviewed	Approved	Date
Procurement Unit	SMT	CMT	May 2025
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CEO Signature: 			

### 1. The purpose of this policy is

To ensure that parties to a contract meet their respective obligations as efficiently and effectively as possible 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 efficiently and effectively as possible while meeting the required standards of quality and quantity as intended by a contract through:

- Establishing a system that monitors and achieves the responsibilities and obligations of all parties under the contract.
- Utilising a systematic approach reinforcing the performance of both parties' responsibilities and obligations under the contract.
- Looking at the possibility to outsource specialist Contract and Project Management skills and knowledge for strategic and complex projects.
- 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 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 reinforce 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 appropriately skilled and trained member of Council staff responsible for the delivery of the contracted goods, services or works (Contract Manager).
- Contract Manager is responsible for the recording of the mandatory required information as per the attached appendix 1 – Mandatory Requirements.
- The Contract Manager is responsible for recording all information in the Contract Management Plan and ensuring its completion at the end of the contract.
- A decision should be made by the Contract Manager regarding the approach to be adopted, based on an assessment of the contract.

### **Contract Establishment**

- Contracts must be signed or executed only by Council's Chief Executive Officer or Council Officers with the required level of financial delegation.
- All contracts must appoint an appropriately skilled and experienced Contract Manager, Contract Superintendent or Contract 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 exceeding \$500,000.
- Where a dispute concerning the contract arises, the Contract Manager is to take a leadership role in the dispute resolution.

### **Contract Insurance**

Insurance required under a contract shall be:

- Workcover (if applicable);
- Public liability insurance of \$10 million;
- Professional indemnity insurance of \$5 million, where the contractor is providing expert advice;
- Insurance of works under contract (only applicable to contracts for works).

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

### **Security**

During the planning stage of a tender, a decision will be made as to the appropriate security (if any) that will be required. Council generally accepts standard security to be provided, being either an unconditional Bank Guarantee, or Retention Monies.

It is the responsibility of the Contract Manager to ensure that the Contractor provides the appropriate security as indicated under the contract.

The Contract Manager must provide the original Bank Guarantees to Procurement for safekeeping. If the Contractor select Retention Monies as security, the Contract Manager is responsible for informing Accounts of the contract name and number, contract value, retention percentage, and retention amount.

## **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.

### **Approvals for Contract variations resulting in change in contract value:**

Note that the calculation of all variations should include GST.

Each variation to the contract is approved in isolation, and not in combination with the contract value or any previous variations. Variations resulting in an increase to the contract value must be approved as follows:

<b>Value of each Variation</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.

Extreme caution should be taken to not split variations in order to have the variation amount fall into a lower financial delegation approval bracket.

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

### **Contingency:**

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 approved named budget for the project minus the contract/s amount.

Where a contract has been approved at council, variations are allowed up to the amount of the available contingency.

For major projects with multiple contracts, it is recommended to have a single overall project contingency, called a 'Consolidated Contingency' instead of separate contingencies for each contract. This Consolidated Contingency should cover any variations that fall within the major project.

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

**Approvals for Contract variations not resulting in change in contract value:**

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.
- Issuing a certificate of practical completion
- Returning the 5% security held due at practical completion.
- Ensuring any defects, omissions or outstanding services have been rectified, completed or delivered.
- Issuing a certificate of practical completion and final certificate.
- Ensuring the completion of the Contract Management Plan.
- Returning the remaining 5% security held at actual completion.

**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**

<b><i>Contract</i></b>	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.
<b><i>Contractor</i></b>	An external person/business that provides a service to Council.
<b><i>Contract Owner</i></b>	Officer who is ultimately accountable for the contract/project. (This is normally in line with Financial Delegations or Delegation of Council).

<b>Contract Manager, Superintendent or Supervisor</b>	Council Officer or agent assigned by the Contract Owner (Principal) to have the responsibility for the operational administration of the contract.
<b>Council's Online Procurement System</b>	This refers to the electronic end-to end Procurement system utilised by Council. This system manages procurement planning, go to market, evaluations & contract management.
<b>Council's Record Management System</b>	This refers to Council's electronic document management system
<b>Sub-Contractor</b>	A service provider to a principal contractor. They must comply with the same requirements as the Principal Contractor, including prequalification.

## 6. Legislation and other references

### 6.1 Legislation

For further information related to this policy see resources below:

- 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 Government 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 4902 – 2000: Conditions of Contract for Design and Construct;
- General Conditions – Provision of Services; and
- Best Practice Procurement Guidelines for Victorian Local Government 2024.

### 6.3 Risk Assessment Reference

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

<b>Risk Category</b>	<b>✓</b>	<b>Risk Category</b>	<b>✓</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

Mandatory Requirements						Contract Manager	Procurement Team	Management	Contractor
Contract Signed and Saved into Council's Records Management System							✓		
Ongoing completion and updating of Council's Online Procurement System						✓			
Contractor Prequalified						✓			
Ensure OHS Compliance - SWMS						✓			
Insurance Requirements Met and Maintained						✓			
Collecting Bank Guarantees from the Contractor and providing Bank Guarantees to Procurement Team						✓			
Maintain Register & Safekeeping of Bank Guarantees							✓		
Holding Retention Money						✓			
KPI Captured – All Service Contracts over \$500,00						✓			
Raise Purchase Order						✓			
Ensure Contractor is being paid on time						✓			
Raise Variations for Approval						✓			
Variations captured in Council's Online Procurement System						✓			
Variation Approvals captured in Council's Online Procurement System							✓	✓	
Financial Approvals including Variations								✓	
Formal notification regarding contract extensions							✓		
Issue and provide accurate Purchase orders in line with contractual payments requirements. Invoices must include a Purchase Order Number									✓
Goods receipting of invoices received from the Contractor						✓			
The Contract Manager needs to follow-up on expired contractors						✓			
Dispute Resolutions to be conducted by the contract manager and entered into Council's Online Procurement System						✓			

All contract issues and correspondence captured in Council's Record Management System & Council's Online Procurement System.	✓
Issue Practical Completion Certificate	✓
Return half of the security on practical completion	✓
Issue Final Completion Certificate	✓
Return remaining security on expiry of defects liability period	✓
Complete and finalise the Contract Management Plan	✓
Review the Contract Management Plan	✓
Review and final completion of the contract	✓