CONTRACT MANAGEMENT POLICY

Contents

NOTES:

- Terms used throughout this policy have the same meaning as defined in the *Public Finance and Audit Act 1987*, *Treasurer's Instructions 18 – Procurement,* and the Procurement Glossary.
- All values identified in the framework are in Australian Dollars and are GST inclusive.

Introduction

This policy outlines the minimum requirements for effective contract management practices on behalf of the South Australian (SA) Government. The Procurement Governance Policy requires that all public authorities have an internal contract management framework consistent with this policy.

Scope and application

Policy requirements apply to:

- South Australian public authorities as defined by the *Public Finance and Audit Act 1987*
- all contracts for goods and services, including construction projects valued up to $165,000.

This policy does not apply to:

- procurements for construction projects valued above $165,000.

The following schedules to the SA Government Procurement Framework provide additional information related to the planning and management of specialist procurements.

- Emergency Situations Procurement Schedule
- Unsolicited Proposals Schedule
- Disposal of Goods Schedule.

Contract manager

Contract handover, start-up and management will be managed by an adequately resourced and skilled contract manager. All employees managing a contract will complete training as set out in the Procurement and Contracting Training Schedule.

Contract handover

Public authorities will use a contract handover checklist for all **routine**, **complex** and **strategic** procurements. During handover from procurement, the contract manager will work with the procurement lead to review and ensure they understand:

- the contract's deliverables, objectives, stakeholders, and records and information
- each party's obligations under the contract
- the contract value.

Records and information

Public authorities will identify any electronic or hardcopy records and information that will be created, captured or required by suppliers or the public authority during contract delivery.

Public authorities will ensure their management of records and information (including security, privacy, confidentiality and accessibility) complies with the Records and Information Security Schedule.

Contract value

The contract value is the amount authorised, according to *Treasurer's Instructions 8 – Financial authorisations*, in the approval of the procurement outcome (e.g. signed procurement recommendation, briefing or minute).

- The contract value of a **one-off contract** is a single fixed amount.
- The contract value of a **standing offer** is a maximum cumulative amount.

Contract start-up

During contract start-up the contract manager will:

- undertake a contract risk assessment
- undertake a contract complexity assessment.
- develop a contract management plan
- arrange a contract kick-off meeting with the supplier
- ensure key stakeholders are informed about the contract.

Contract risk assessment

Public authorities will review the risk assessment that was undertaken during procurement planning, and will carry out a separate risk assessment for the contract. The assessment will identify, analyse, allocate and determine treatments for risks related to the contract.

The risk assessment process will be commensurate with the complexity and value of the contract and will determine the overall risk of the contract. Risks should be considered across financial, operational, compliance and reputational impacts including, but not limited to:

- financial: cost overruns, price volatility, international exchange rates
- operational: supply chain disruptions, supplier instability, demand fluctuations
- compliance: intellectual property, non-accreditation, corruption, maladministration
- reputational: late, incomplete or failed delivery.

Contract complexity assessment

Public authorities will review the complexity assessment that was undertaken during procurement planning and will carry out a separate complexity assessment for the contract.

Assessments will classify contracts as **transactional, routine, complex, or strategic** commensurate with the public authority's internal procurement framework and tailored complexity scale.

Contract management plans

A contract management plan must be approved by the contract owner (or authorised delegate), and in place no later than the contract commencement date, for all **complex and strategic** contracts.

Contract management plans will be reviewed at least annually throughout the term of the contract and updated where the public authority considers it beneficial.

Contract kick-off meeting

Contract managers will arrange a contract kick-off meeting with the supplier, and with key stakeholders if appropriate, for all **complex and strategic** contracts, and for **routine** contracts where the public authority considers it beneficial.

Contract stakeholders

Contract managers will ensure that key stakeholders are informed of:

- the establishment of a new contract and the goods and services to be supplied or delivered
- each party's roles and responsibilities
- key deliverables and performance standards required under the contract.

Contract management

Administration and management

Contract managers will monitor and manage performance over the life of the contract in line with the standards detailed in the contract and with the public authority's contract management framework.

Performance issues and dispute resolution

Where a supplier's performance is found to be inadequate, the issue will be raised with the supplier and any resolution will be subject to the terms of the contract regarding performance. If a contract dispute arises the public authority will manage the dispute in accordance with the terms and conditions of the contract and their contract management framework and will seek legal advice from the Crown Solicitor's Office or in-house legal counsel, as required.

Contract reviews and reporting

Public authorities will regularly review all their contracts in accordance with their contract management framework.

Routine, complex and **strategic** contracts will be reviewed for, at a minimum:

- contract outcomes and value for money of the contract
- supplier performance including compliance with delivery times
- opportunities for improvement and innovation.

Complex and strategic contracts with a contract term longer than 12 months will also be reviewed for the following, and reviews will be carried out and reported annually to the Chief Executive (or authorised person) for the review period:

- comparison of approved and actual expenditure
- contract variation details
- sufficiency of allocated resources
- risks identified and managed
- records and information security.

Contract variations

Contracts will not be varied (including extensions via existing or new options) if:

- the market may have responded differently to the amended scope, value or complexity
- the variation may compromise the original procurement's value for money assessment
- re-approaching the market is likely to achieve better outcomes and value for money.

Expired contracts

Expired contracts will not be extended. A new procurement process and contract is required if a contract expires without an approved extension or variation and the deliverables are still required.

Procurement approval for contract variations

Approval for a contract variation will proceed according to:

- the conditions of the contract
- *Treasurer's Instructions 8 – Financial authorisations*
- the public authority's internal procurement and contract management frameworks
- assessment of the variation's impact on the operation and outcomes of the contract.

Where a variation will extend a contract with a non-South Australian business, outside any contractually agreed options, the public authority will seek approval from the Chief Executive.

Financial approval for contract variations

Where a variation will result in expenditure above the original value of the contract, financial approval will be obtained in addition to the procurement approval.

Financial approval will be obtained in accordance with *Treasurer's Instructions 8 – Financial Authorisation* and the public authority's approval policies and procedures. This requirement applies to expenditure that exceeds either:

- the value of a one-off contract
- the maximum value of a standing offer.

If the additional expenditure, when combined with any previous additional expenditure, increases the original contract value by:

- 5% or less: the additional expenditure must be approved as if that additional expenditure alone was a new contract
- over 5%: the additional expenditure must be approved as if that additional expenditure plus any previous additional expenditure plus the original contract value was a new contract.

Where there is an approved increase in the total value of any contract the government's Procurement Activity and Reporting System (PARS) will be updated in accordance with the Contract Reporting Schedule.

Contract closure

Transition out

Public authorities will ensure transition planning is in place before the contract expires, and prior to any new approach to market, if the supply of similar goods and services is required. A new procurement process and contract is required if a contract expires without an approved extension or variation, or is terminated, and the goods and services are still required.

Disposal of goods

Public authorities will dispose of goods that are surplus to their needs in accordance with the Disposal of Goods Schedule.

Disposal and return of records and information

Public authorities will ensure that all government-owned records and information are returned in an accessible and readable format. Public authorities will manage the disposal and return of records and information in accordance with the *Records and Information Security Schedule*.

Post-contract review

Within 60 days of contract closure a post-contract review report (e.g. contract closure report) will be prepared for the public authority's Chief Executive (or authorised person) for all routine, complex, and strategic contracts.