

Contract Management Policy

Purpose

This policy outlines the requirements for South Australian public authorities ('public authorities') to undertake effective contract management practices to achieve value for money.

Policy requirements are to be applied to all contracts for goods and services, including construction projects valued up to \$165,000, and contracts resulting from a secondary procurement process.

Contract Start-Up

Contract Risk and Complexity Assessment

Public authorities will review the risk and complexity assessments that were undertaken during the planning and sourcing stages and will update as required.

The contract will then be classified¹ as either transactional, routine, complex or strategic based on the level of complexity, risk profile and value of the contract. The classification process is critical to understand business impact of the contract and the resourcing required to manage the contract.

Contract Manager

All contracts will be managed by an adequately resourced and skilled contract manager.

At a minimum, every two-years, a public officer managing a:

- transactional contract will complete the Procurement Services SA *Introduction to Contract Management* course (or similar)
- routine, complex or strategic contract will complete the Procurement Services SA *Principles of Contract Management* course (or similar)
- complex or strategic contract will complete the Procurement Services SA *Advanced Contract Management* course (or similar).

Contract Handover

Public authorities will use a contract handover checklist for all contracts, except transactional contracts (low risk contracts valued up to and including \$55,000), to ensure effective contract handover from the procurement lead to the contract manager has been completed.

Contract Management Plan

The Contract Manager will review the contract to ensure they understand each party's contractual obligations and the deliverables/objectives that the contract is set up to achieve.

¹ Refer to Part 5 of the Procurement Governance Policy

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A *Contract Management Plan* will be developed and approved by the contract owner (or authorised delegate) for all complex and strategic contracts, no later than the contract commencement date. The *Contract Management Plan* will be monitored regularly (at least annually) throughout the term of the contract and updated as required.

Establishing contract administration processes

Public authorities will ensure there are:

- set procedures to inform all stakeholders of the services/goods provided under the contract and the key deliverables and performance standards related to contract delivery
- clear administrative procedures in place to make sure all stakeholders are aware of each party's administrative roles and responsibilities.

Contract Managers will arrange a contract kick-off meeting with key stakeholders for all complex and strategic contracts, and routine contracts as required.

Record Keeping and Documentation

Public authorities will have proper systems in place for identifying, gathering and recording relevant information in accordance with their Contract Management Framework and the requirements of the *State Records Act 1997*.

Contract Administration and Performance Management

Performance Management

Contract managers will monitor performance measures and manage performance over the life of the contract in line with the performance standards detailed in the contract. 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 applicable terms of the contract regarding performance.

Dispute Resolution

If a dispute arises out of a contract, the public authority will manage the dispute in accordance with the terms and conditions of the contract and will seek advice from the Crown Solicitor's Office as required.

Contract Reviews, Extensions and Variations

Contract Reviews and Reporting

Public authorities will review their contracts to determine whether:

- the contract continues to deliver value for money
- the delivery times are being met
- overall performance of the supplier including if there is opportunity for improvement

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and/or innovation.

These reviews will be conducted annually, at a minimum, for complex and strategic contracts with a contract term longer than 12 months.

As part of this review, public authorities will report annually to the Chief Executive (or authorised person) on:

Reporting requirement	Description	Measure
Contract expenditure	Value of approved contract values actual expenditure of the contract	\$ expended v approved \$ savings / increase % savings / increase
Allocated resources	Public authority staff member/s allocated to undertake the contract management and administration processes for the contract	# FTE or part FTE (full time equivalent)
	Any changes to Contract Manager in last reporting period	#
Contract outcomes and supplier performance	The performance framework will be detailed in the contract and will differ for each contract depending on the procurement objectives	To be measured in accordance with the contracted performance measure(s)
	Key targets/deliverables achieved (or are on track to be achieved) compared to the number required by the contract	# and %
	Key targets/deliverables achieved within the timeframes set out in the contract	# and %
Contract variations / proposed variations	Changes to scope	# and level of variation
	Advise the current number of approved variations plus any proposed during the reporting period	# currently approved # new / proposed
	Changes to pricing schedule and/or total value of the contract (difference between original contract value and the new contract value after the variation has occurred)	\$ savings / increase % savings / increase
	Changes to contract timeline (difference between original contract timeline and the new contract timeline after the variation has occurred)	# of days increase / decrease % increase / decrease of total contract timeline
Result of efforts to mitigate risks throughout the life of the contract	Risks identified (relating to the goods/services procured or the supplier) that needed to be managed under the contract	#
	Risk reviews (to be conducted at least annually and whenever there is significant change to public authority, market or other stakeholders)	#
	The number of risks controlled and/or treated compared to the number of risks identified (relating to the goods/services procured or the supplier) that needed to be managed under the contract	%

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Contract Extensions and Variations

Where a contract variation has been proposed, and before exercising an extension option (if applicable), the public authority will consider whether the variation or extension is necessary to deliver the contract outcomes and achieve value for money.

Exercising an extension option or varying a contract will be approved in accordance with *Treasurer's Instructions 8 – Financial Authorisation* and the public authority's approval policies and procedures.

All variations and extensions will be effected in accordance with the contract terms.

Where a variation to a contract takes the total value of the contract above \$55,000 and the previous total value of the contract was less than \$55,000, then the public authority will provide details of the contracted expenditure to Procurement Services SA through the Procurement Activity and Reporting System (PARS) once the contract variation has been approved.

Contract Closure

Transition Out

Public authorities will ensure transition planning is in place before the contract expires and prior to going back out to the market if the supply of similar goods or services is required.

Disposal

Public authorities will dispose of surplus goods in a manner that is lawful, efficient, economical and ethical.

Post-Contract Review

A post-contract review report (also referred to as a 'contract closure report') will be prepared for the public authority's Chief Executive (or authorised person) for all routine, complex and strategic contracts.