

Contract Closure Guideline

Purpose

Most contracts close (end) because they have been satisfactorily completed, i.e. both parties have completed all their obligations under the contract and/or the end of the contract term has been reached (expired).

This Guideline¹ provides guidance for public authority Contract Owners and Contract Managers on how to effectively close a contract.

Contract transition out

The transition from one contract to another can be a period of risk. Contract managers should review the contract to understand what has been agreed to. A “transition out” plan should be developed before the contract expiry date and should be actioned before approaching the market for a new contract.

Complete contract closure activities

At the end of a contract, the public authority should formally close the contract in accordance with the terms and conditions in the contract.

Various matters should be considered at the end of the contract including whether:

- all outstanding contract actions have been fulfilled by the supplier, including deliverables;
- required documents, equipment or other goods have been returned;
- all payments and financial obligations have been completed and reconciled;
- there are any outstanding reports or disputes;
- any warranty issues are still outstanding;
- there are any legal rights and obligations on the parties that may survive after the contract has closed; and
- access arrangements have been terminated or revoked, including security passes.

Conduct a post-contract review

Contract Closure Report and Lessons Learnt

It is good practice for a post-contract review (also known as contract closure report) to be conducted at the end of the contract term to consider how the contract has performed. Where multiple contracts have been provided through a single procurement, particularly for complex and strategic contracts, the public authority may opt to review the contracts as a group, to provide an overall assessment of the

¹ The guideline has been derived from the documents listed below:

- [‘Australian Government Contract Management Guide’](#), Commonwealth of Australia 2019.
- [‘Contract management framework’](#), State of Queensland (Department of Housing and Public Works) 2019. References have been licensed under a Creative Commons Attribution 4.0 Australia Licence. For licence conditions see: <https://creativecommons.org/licenses/by/4.0>.

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procurement.

This review provides valuable lessons that can be used when planning for a new procurement or contract renewal.

Conducting a post-contract review allows the public authority and the supplier to:

- assess effectiveness of deliverables;
- assess the extent to which expected performance outcomes were achieved;
- assess whether the contract achieved value for money;
- consider whether any unexpected benefits were achieved;
- review the issues or risks identified during the contract, and how these can be avoided or mitigated in future;
- provide feedback; and
- review contract management effectiveness.

The public authority can utilise this information to develop lessons learnt. This can help the public authority to:

- apply learnings and improve contract management processes; and
- improve future procurement activities.

In accordance with the Contract Management Policy, a post-contract review report must be prepared for the Chief Executive (or authorised person) for all routine, complex or strategic contracts. The depth and detail of the post-contract review can be determined by the public authority, and may vary depending on the length, complexity, risk profile and value of the contract, as well as whether the public authority will need to procure similar goods or services in the future.

Early Termination of a Contract

Sometimes a public authority may seek to end a contract before it has been completed (termination). Terminating a contract before contract expiry can carry risks – including reputational, business, financial and legal risk.

There are several ways to terminate a contract. The contract will likely include specific termination clauses, which set out the circumstances of when each party can terminate the contract, the process to be followed, and the result of the termination.

Where the termination is due to a default by the other party, many contracts require the parties to follow the dispute resolution and other procedures before exercising a right to terminate the contract. Following those procedures is extremely important. If these procedures are not followed prior to exercising a right to terminate, it can result in the public authority being forced to pay damages to the supplier.

It is strongly recommended that legal advice is sought regarding termination provisions in contracts and before taking any actions to end a contract early.