

# Contract Management Framework

## 1. Purpose

The purpose of the Department for Child Protection (DCP) Contract management Framework is to provide a clear and standardised approach to managing and administering contracts for goods and services purchased from suppliers. The framework identifies contract management requirements for all DCP contracts including the specific requirements associated with the contracting of Not for Profit (NFP) organisations. **NFP specific requirements are shaded throughout this document in order to highlight them.**

The main objective of contract management is to ensure commitments and obligations from buyers (DCP) and suppliers are effectively met, by delivering value for money outcomes and managing inherent risk.

DCP recognises the benefits of undertaking effective contract management and the role and requirements of the framework in delivering those benefits.

This framework provides DCP staff with a guide to DCP's contract management process as well as referencing key governing policies and the tools and templates available to DCP staff to assist in effectively managing contracts.

The framework describes the required responsibilities associated with the three major phases involved in the contract management lifecycle:

### Phase 1 – Contract set-up

How to initiate and plan the contract management process

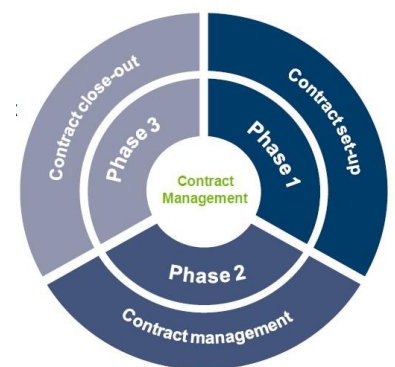
### Phase 2 – Contract management

How to administer and manage contracts

### Phase 3 – Contract close-out

How to close and transition contracts

Within each phase, there are a number of key activities to be performed. Depending on how the contract is classified based on value and risk, the activities, focus and amount of effort required can vary.



**Figure 1 Contract management framework**

Effective contract management:

- supports the achievement of value for money outcomes by ensuring that all parties to the contract meet or exceed their obligations in line with the contract performance measures, timeframes and expected deliverables
- minimises the risks to the public authority, government and clients
- holds the supplier to account
- prevents misunderstandings about the contract scope
- promotes innovation and improvement in supplier performance
- assists in developing the capability of both the supplier and the public authority
- assists with achieving the contract outcomes in a timely manner.

## 2. Scope

### 2.1 Contract management planning starts before a contract is signed

Activities performed prior to contract award, have a strong impact on the contract management process. Ensuring that key requirements are fulfilled before the contract starts is fundamental for effective contract management. These requirements follow:

- contract terms and conditions developed and agreed by all parties
- performance management activities and reporting agreed
- contract owner appointed
- contract management plan implemented
- risk management plan.

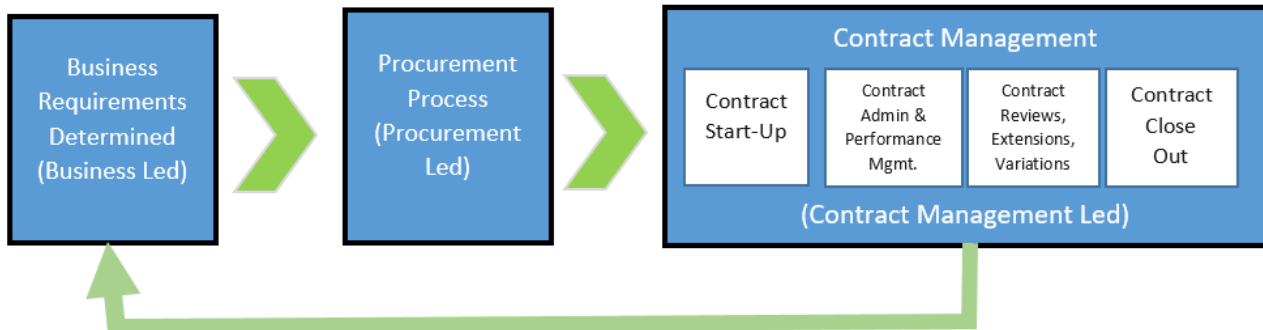
Although these activities are outside the scope of the Contract management Framework they must be aligned with the contract management activities.

### 2.2 Who does the framework apply to?

The framework applies to all DCP personnel and contractors that are involved in the contract management of DCP supplier contracts (including standing offer arrangements) on behalf of DCP.

### 2.3 Scope of the framework

This document focuses on contract management related to post-award activities, eg once a contract has been established for the business requirements through the procurement process (Figure 2).



**Figure 2 Business, procurement and contract management integration**

The framework is broken into three key phases being:

- contract set-up
- contract management
- contract close out.

The phases and the key steps included within each phase are depicted in Figure 3, and are explained in further detail in this framework.

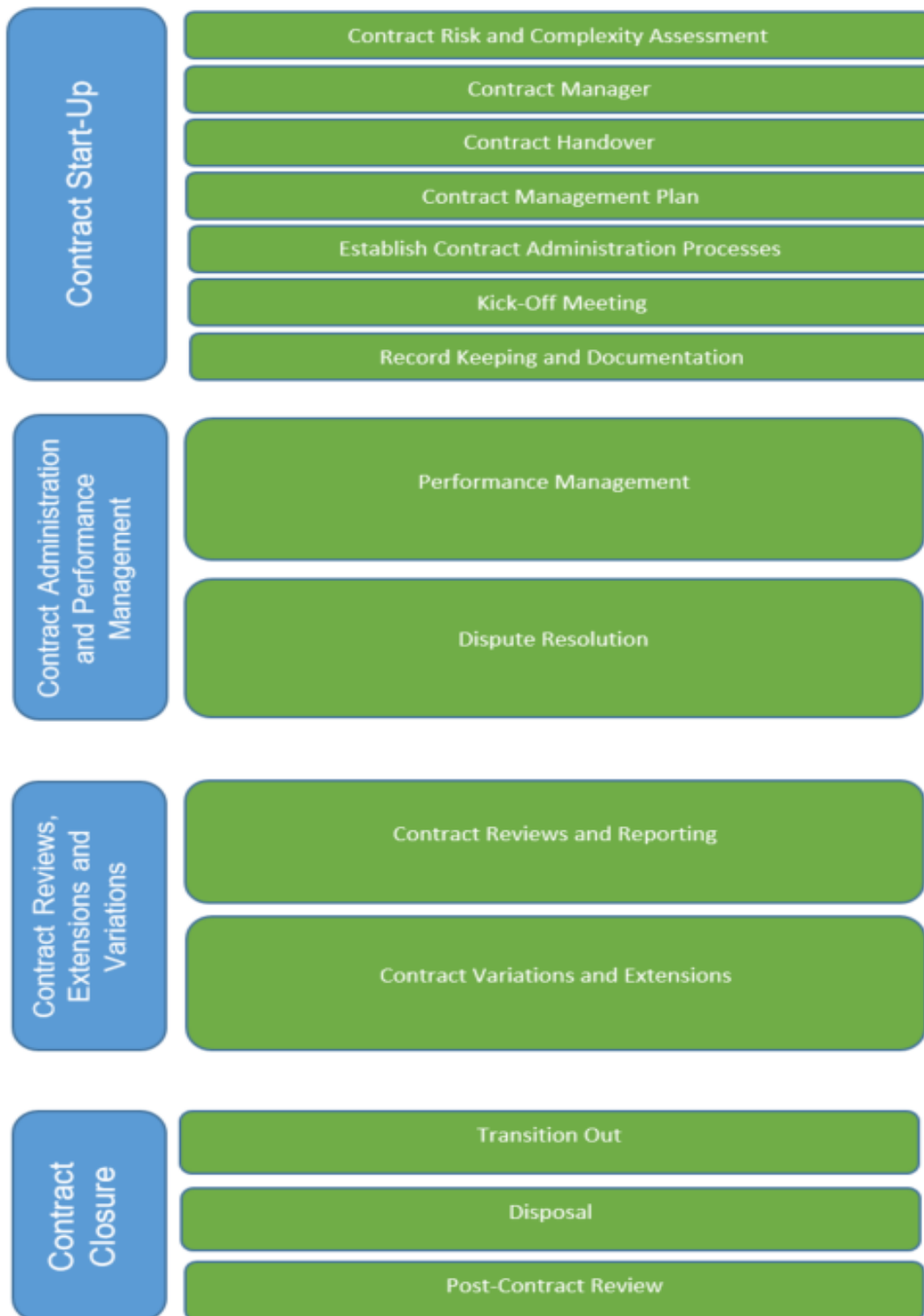


Figure 3 Contract management Framework phases and key steps

The scope of this framework does not cover:

- procurement activities – procurement, contract negotiation, contract development and contract award (refer to the [DCP Procurement Governance Policy](#)).
- Purchase to pay – process to raise requisitions, purchase orders and process payments.

## 3. Authority

### 3.1 Legislative context

- [Treasurer's Instruction 18 – Procurement](#), issued by the Treasurer under the authority of Section 41 of the *Public Finance & Audit Act 1987*.
- *State Records Act 1997*.

### 3.2 Whole of Government requirements

- South Australian Procurement Governance Policy
- South Australian Procurement Planning Policy
- South Australian Sourcing Policy
- South Australian Contract Management Policy
- Procurement Services South Australia (PSSA) Schedules, Guidelines and related documents
- [South Australian Industry Participation Policy](#)
- Department of the Premier and Cabinet Circulars. 27, 33 and 44

### 3.3 DCP requirements

- [DCP Strategic Plan](#)
- [Procurement Governance Framework](#)
- [Procurement Governance Policy](#)
- [Aboriginal Procurement Policy](#)
- [Managing Risk in Procurement Procedure](#)
- [Supplier Complaints in Procurement Procedure](#)
- [Financial Authorisations Register](#).

### 3.4 Principles

- The safety of children and young people is the paramount consideration.
- Value for money - enable savings opportunities identified during the procurement or contract management process, enable further benefits through ongoing performance reviews, service improvements, supply chain improvements, innovation, etc.
- Risk management - reduce contractual risks through the robust contract management practices.
- End-user outcomes - maximise outcomes to end-users/customers by managing supplier performance, maintaining quality, improving productivity and identifying opportunities for improvement and innovation.

## 4. Framework requirements

DCP identifies five key contract management processes that should be undertaken to achieve effective contract management outcomes. These are:

- prepare to manage a contract
- implement a contract management strategy
- manage the implementation of the contract
- monitor and maintain the performance of a contract
- complete and review the contract.

These five key processes have been grouped into four key phases within the framework:

DCP Contract management Framework phases	Contract management Policy requirements
Contract start-up	Contract risk and complexity assessment Contract manager Contract handover Contract management Establishing contract administration processes Record keeping and documentation plan
Contract administration and performance management	Performance management Dispute resolution
Contract reviews, extensions and variations	Contract reviews and reporting Contract extensions and variations
Contract closure	Transition out Disposal Post contract review

The following table summarises the key activities included within each phase of the framework phases. It shows how the approach to each step can vary, depending on whether the contract is classified (based on value and risk) as:

- strategic - high value >\$550,000 / medium-high risk contracts
- complex – low-medium value <\$550,000 / medium-high risk contracts
- routine – high value / low-medium risk contracts
- transactional - low value / low-medium risk contracts.

The key activities summarised in the following table will be either:

- **Mandated** – the activity must be performed for the contract
- **Optional** – optional activities where judgment should be applied for weighing up the effort required with the potential benefits of the step
- **As required** – the activity is required when necessary but it is not mandatory.

This value/risk approach to contract management recognises, that complex or strategic contracts which are high risk and high value require a lot more rigour, and experienced resources, to manage than a transactional or routine contract.



		Contract classification			
		Transactional	Routine	Complex	Strategic
Value		\$55,000 <\$550,000	>\$550,000	\$55,000 <\$550,000	>\$550,000
Risk		Low to medium risk	Low to medium risk	Medium to high risk	Medium to high risk
Contract start-up	1.1 Contract risk and complexity assessment	Optional	Mandated	Mandated	Mandated
	1.2 Contract manager	Optional	Mandated	Mandated	Mandated
	1.3 Contract handover	Mandated	Mandated	Mandated	Mandated
	1.4 Contract management plan	Optional	Optional	Mandated	Mandated
	1.4 Establish contract administration processes	Mandated	Mandated	Mandated	Mandated
	1.5 Kick-off meeting	Optional	As required	Mandated	Mandated
	1.6 Record keeping and documentation	Mandated	Mandated	Mandated	Mandated
Contract administration and performance management	2.1 Performance management	Mandated	Mandated	Mandated	Mandated
	2.2 Dispute resolution	Mandated	Mandated	Mandated	Mandated
Contract reviews, extensions and variations	3.1 Contract reviews and reporting	Optional	Mandated	Optional	Mandated
	3.2 Contract extensions and variations	As required	As required	As required	As required
Contract closure	4.1 Transition out	As required	As required	As required	As required
	4.2 Disposal	As required	As required	As required	As required
	4.3 Post-contract review	Optional	Mandated	Mandated	Mandated



## 4.1 Contract start-up (Step 1)

### 4.1.1 Summary

The contract set-up defines the plan, roles and responsibilities for managing a contract. This step allows the contract manager to agree upfront the key roles and management activities of the contract during its lifecycle.

Contract start-up summary	
Why is contract start-up important?	<ul style="list-style-type: none"> <li>To define clear roles and responsibilities for managing the contract.</li> <li>To classify the contract depending on its value and risks.</li> <li>To define and agree the necessary activities for managing the contract.</li> </ul>
What does contract start-up deliver?	<ul style="list-style-type: none"> <li>Clear contract management roles and responsibilities.</li> <li>Effective contract management plan.</li> <li>Record keeping and documentation structure.</li> <li>Contract kick-off meeting.</li> </ul>
What are the risks if the contract start-up is not performed?	<ul style="list-style-type: none"> <li>Lack of accountability on contract management activities.</li> <li>Ineffective allocation of contract management resources to relevant contracts, without proper consideration of value and risk.</li> <li>Failures on contract delivery due to poor planning.</li> </ul>

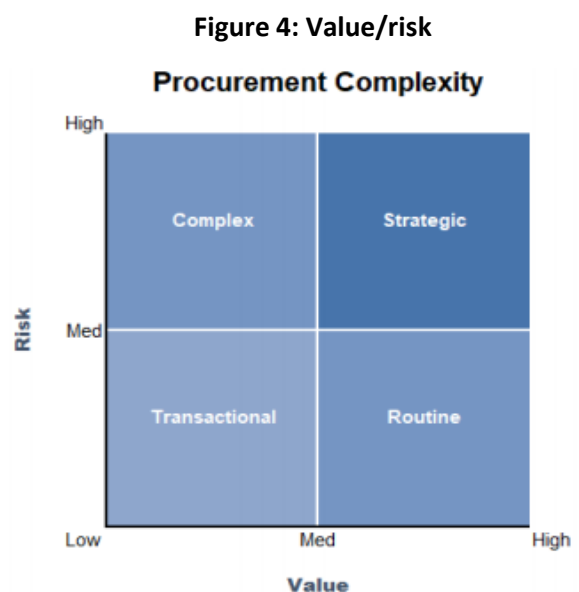
The following tools and templates available within the Contract Management and Licensing System (CMLS) are provided to assist with performing steps in Contract start-up:

- **Complexity assessment** - classify a contract (as either transactional, routine, complex or strategic) based on value and risk.
- **Contract management checklist** - suitable for all contracts – a brief summary of key information relevant to contract management.
- **Contract management plan** - define the key activities and responsibilities for managing the contract.
- **Contract kick-off meeting template** - a guide for the contract kick-off meeting.

### 4.1.2 Step 1.1 – Contract risk and complexity assessment

Classifying contracts based on their value and risk will help contract managers to identify the key activities to focus on for a particular contract. The procurement lead must complete a risk assessment using the [DCP Risk Assessment Framework](#) to classify the contract based on the risk faced by DCP. The value determination will be based around the [DCP Procurement Governance Policy](#) with high value contracts considered to be those with a value of greater than \$550,000. The combination of the risk assessment and value determination will allow the contract to be classified on value/risk matrix (Figure 4).

This will help the procurement lead identify whether a contract management plan is required for the contract. Where a contract management plan is



mandated, understanding the value/risk assessment of the contract will inform the approach to contract management, with areas of focus to be captured in the draft contract management plan. A copy of the value/risk assessment for the contract should be kept with the contract records (or as part of the contract management plan).

### 4.1.3 Step 1.2 - Complexity assessment

Contracts can be classified as either:

- **transactional** (less than \$550,000 and representing low to medium risk) - a 'light touch' approach is recommended (i.e. doing the minimum).
- **routine** (greater than \$550,000 and representing low to medium risk) - usually routine in nature, but requiring regular and consistent review. Contract management plans are mandated but should not require the most experienced contract managers.
- **complex** (less than \$550,000 and representing medium to high risk) - not usually routine in nature, they will require regular and consistent review. Contract management plans are mandated and will require experienced contract managers due to the high risk and complexity; or
- **strategic** (greater than \$550,000 and representing medium to high risk) - these contracts require the most amount of rigour and attention to manage the contract. Experienced contract managers should be allocated to these contracts. Contract management plans are mandated.

### 4.1.4 Step 1.2 – Contract manager

All routine, complex and strategic contracts will be managed by an adequately resourced and skilled contract manager.

At a minimum, a contract manager managing a routine contract is required to have completed the Procurement Services South Australia Principles mandated minimum contract management course (or similar) within the last two-year period. Contract managers managing complex and strategic contracts must have completed both the minimum and advanced courses within the last two-year period.

The contract manager is responsible for managing the day-to-day activities of the contract and is the single point of contact for suppliers on all contract matters. The key roles of the contract manager are usually to:

- understand the contract requirements and obligations
- monitor performance against obligations set out in the terms and conditions of the contract
- make sure the contract outcomes are achieved
- ensure performance reports are provided by the supplier
- conduct contract reviews and post-contract reviews
- identify opportunities for realising additional value
- address problems and conflicts that may arise
- manage, escalate and address contract risks
- maintain effective relationships with the supplier and attend regular contract management meetings
- communicate with end-users, stakeholders and clients
- certify payments to the supplier for work done (where applicable)
- foster integration and collaboration with other suppliers (where relevant)
- maintain records in sufficient detail to provide an audit trail
- assess and (where required) seek approval for any variations to the contract
- review the contract management plan.



The contract manager is recommended to be a representative within the business unit with the relevant technical and interpersonal skills, and will be appointed by the Manager Service Contracts and Licensing (Contract Owner).

#### 4.1.5 Step 1.3 – Contract hand-over

DCP will use a contract handover checklist for all contracts, except transactional contracts, to ensure effective contract handover has been completed.

When the procurement process ends, the procurement lead must conduct a handover meeting of the signed contract to the contract manager. This includes the following:

- request the contract owner (Manager, Service Contracts and Licensing) to appoint a contract manager for the contract if one has not been appointed already
- under [Contract Management Framework](#) it is mandatory for all routine, complex, or strategic contracts to be managed by an adequately resourced and skilled contract manager
- the contract manager must have completed the required contract management training program (or similar) and undergo refresher training every two years
- review and document scope and expected outcomes for the contract
- ensure the contract is registered in the DCP contract management system
- hand-over key contractual documents to the contract manager (please refer to the contract management handover requirements checklist for detail of these requirements).

Hard copies are also required for some documents. All handover documents should be saved in electronic form (preferably in in the contract management system or linked from the contract management system). Handover can occur by the procurement lead physically handing over hard copies, and providing instructions on where to locate documents in electronic format.

#### 4.1.6 Step 1.4 – Contract management plan (CMP)

At a minimum, the contract manager will review the entire contract to ensure they understand each party's contractual obligations and the deliverables/objectives that the contract is set up to achieve.

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

A CMP contains key information about how a contract will be managed. It establishes systems and processes to ensure that the supplier and DCP complies with the terms and conditions during the life of the contract. It also establishes a framework against which the performance of both parties can be monitored and problems easily identified – either before or as they occur.

Throughout the procurement process, the procurement lead and contract manager (if appointed during the procurement process) will gain valuable information about the arrangements under the contract that will be important to reflect in the CMP, such as:

- detailed knowledge of the goods/services purchased under the contract and the objectives of both parties
- issues raised by the supplier that were negotiated as part of the contract
- performance measures and governance frameworks developed and agreed with the supplier
- any risks that were identified (relating to either the goods/services purchased or the supplier) that need to be managed under the contract

- any savings or benefits that are expected to be achieved under the contract that need to be monitored and managed.

The contract manager is responsible for developing and finalising the CMP during the contract set-up step. For complex or strategic contracts, a CMP is required. For transactional or routine contracts a contract management checklist can be completed instead of a CMP.

#### 4.1.7 Step 1.5 Establish contract administration processes

DCP will ensure there are:

- set procedures to inform all stakeholders of the services/goods provided under the contract and the key service requirement/key performance indicators related to service 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 kick-off meeting for all complex and strategic contracts, and routine contracts as required.

#### 4.1.8 Step 1.6 – Kick-off meeting

**Person responsible: Contract manager**

Kick-off meetings are a good way to start a relationship with a supplier. The contract manager should organise the kick-off meeting as soon as practically possible after the contract execution. Some contracts (eg routine contracts) don't warrant having a kick-off meeting. Exercise judgment as to when a kick-off meeting will be a worthwhile use of time, depending on the contract.

The contract manager and supplier representative must attend the kick-off meeting. Any key stakeholders, (such as the main customers/biggest buyers of the goods/services, or other stakeholders directly impacted by the contract) should also attend.

The purpose of the meeting is to:

- ensure 'everyone is on the same page' in regards to the contract objectives and expectations of both parties
- establish and agree communication, reporting, delegation of authorities, performance measurement, operational and commercial issues, and escalation pathways under the contract.

The contract manager is responsible for conducting the kick-off meeting. The contract administrator is responsible for, taking minutes and distributing the completed minutes to all parties.

Use the contract kick-off meeting template for guidance.

#### 4.1.9 Step 1.7 – Record keeping and documentation

DCP will ensure it has proper systems in place for identifying, gathering and recording relevant information in accordance with the Contract Management Framework and the requirements of the *State Records Act 1997*.

The contract administrator must establish a contract information record structure in the CMLS with the correct access controls.

In the case of non-OOHC Contracts, this process will be managed by the contract administrator from the Service Contracts and Licensing team.

For all other contracts, the contract administration component of capturing the required contract information in the contract management system will be managed by the Procurement and Contracts team.

The information requirements are set out in the Contract Information Requirements Guide which lists the mandatory and optional information requirements for each contract type.

## 4.2 Step 2 - Contract administration and performance management

Contract managers will continue to 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 discussed with the supplier to try and reach an agreement of how to remedy the situation before further action is taken. This will be subject to any applicable terms of the contract regarding performance.

<b>Why is contract management important?</b>	<ul style="list-style-type: none"> <li>• To effectively deliver contracted goods/services at agreed levels.</li> <li>• To ensure ongoing contract compliance and performance.</li> <li>• To maintain relationship with suppliers</li> <li>• To meet legal and financial compliance requirements.</li> <li>• To effectively deliver contracts at or under agreed costs/rates.</li> <li>• To effectively manage disputes, minimising the need for formal mediation or litigation.</li> </ul>
<b>What does contract management deliver?</b>	<ul style="list-style-type: none"> <li>• Enables DCP to enforce and fulfil the contractual obligations of the supplier and buyer.</li> <li>• Correct reporting to key stakeholders.</li> <li>• Mechanisms to establish changes to the contract and resolve disputes.</li> </ul>
<b>What are the risks if the contract management is not performed?</b>	<ul style="list-style-type: none"> <li>• Disruption of supply of required goods or services.</li> <li>• Increasing disputes and contract issues.</li> <li>• DCP may be exposed to potential claims.</li> <li>• Issues can be escalated to the wrong individuals and/or at the wrong time placing an unnecessary burden on management.</li> <li>• Reputational damage for DCP and the supplier.</li> <li>• Value for money is not maximised.</li> <li>• Forecast savings are not realised.</li> </ul>

The following tools and templates are provided to assist with performing steps in Phase 2:

- **Contract performance review meeting template** - support the contract manager to conduct and document a contract performance review meeting.
- **Risk register template** - record and maintain a single repository for contract risks.
- **Checklist for contract extensions/renewals** - record the value for money assessment of a contract extension or renewal (suitable for routine contracts).
- **Contract review report** - record the analysis performed and recommendation to extend or renew a contract, or transition to other suppliers.



### 4.2.1 Step 2.1 – Performance management

**Established KPI’s:**

Implementing performance management activities is a fundamental element for delivering the expected value from contracts. Improving the process for capturing and reporting relevant performance metrics will deliver greater value for DCP.

The KPIs to be measured in the contract should be identified in the procurement step, before the contract is signed. Both parties will need to agree: what KPIs will be measured, how they will be measured, who is responsible for tracking performance and how frequently. This should be incorporated into the contract.

As part of the CMP development, the contract manager will need to determine if any additional measures are necessary to track performance.

Key components of an effective performance management approach are:

- development of appropriate/effective KPIs aligned with contract objectives
- setting up clear/suitable targets
- defining the monitoring and reporting processes
- management of non-performance.

The contract KPI’s development template is recommended for developing contract KPIs.

**Manage performance (monitoring)**

The contract manager should collect performance data based on KPIs in the agreement and contract management plan. The contract manager should receive regular contract performance and expenditure reports from suppliers in accordance with the contract obligations. Obtaining regular feedback from suppliers about any concerns they have regarding stakeholders, including DCP offices, will help early identification of any internal issues that might be impacting the supplier’s performance, or ability to provide the best quality of service.

Key contract stakeholders need to be aware of the contract deliverables and KPIs, in order to provide feedback on a regular basis.

The contract manager should establish a reporting process that is appropriate for the contract based on its value and risk. See example below for guidance:

Performance monitoring - reporting				
	Transactional low-medium value/risk contracts	Routine high value/low-medium risk contracts	Complex low value/medium-high risk contracts	Strategic high value/risk contracts
Establish contract reporting process	Optional	Mandated	Mandated	Mandated
Frequency	As required	Quarterly	Quarterly	Quarterly
Audience	<ul style="list-style-type: none"> <li>• Key users</li> <li>• Supplier</li> </ul>	<ul style="list-style-type: none"> <li>• Contract owner</li> <li>• Supplier</li> <li>• Contract users</li> </ul>	<ul style="list-style-type: none"> <li>• Contract owner</li> <li>• Supplier</li> <li>• Contract users</li> </ul>	<ul style="list-style-type: none"> <li>• Contract owner</li> <li>• Supplier</li> <li>• Contract users</li> </ul>

The recommended method for conducting a formal contract performance review is via face-to-face meetings between DCP and the supplier using the contract performance review meeting template.

### **Manage performance (under-performance)**

In case of contract performance issues it is the responsibility of the contract manager to initiate discussions with the supplier to resolve them. Where there is a possibility that the performance issues may result in unsatisfactory outcomes for users, a formal performance management process should be undertaken as described below.

A contract management performance monitoring framework has been developed for the performance management of the NFP contract arrangements. This framework sets out how over and underperformance is to be managed.

Formal discussions should take place between appropriate customer personnel, such as the contract manager, legal, procurement and identified subject matter experts such as finance, placement services and the supplier to:

- discuss the specific non-compliance and/or performance issues
- allow the under-performing party an opportunity to discuss their performance
- agree on measures to address performance issues, including timeframes for implementation and document a performance improvement plan (if required)
- agree dates for performance review
- discuss the need for sending a formal letter to the supplier.

All performance discussions should be documented in writing through meeting minutes, file notes or follow up email correspondence. This will provide necessary evidence for potential contract disputes and contract termination.

Performance monitoring activities should increase during the period agreed for performance improvement, and communication with the supplier and key stakeholders should be maintained on a regular basis to address any issues or concerns at the operational level.

Under performance must not be overlooked for the sake of the relationship. Clear, solution-focused communication that leads to improved performance will support the professional working relationship between all parties and improve outcomes for children and young people.

### **Manage performance (reviewing performance measures)**

Over time the contract manager should review the validity of performance measures for a contract. For the NFP contracts it is suggested that this review take place every 12 months.

Performance measures may require updating due to a number of reasons, for example:

- a greater understanding of how the contract works
- significant organisational change from either parties to the contract
- a change in Government (including direction and focus)
- modification or introduction of new legislation or government policy.

The contract manager should conduct periodic reviews of contract performance measures taking into consideration the following key factors:

- can the key performance indicators be objectively measured? If not, can the contract be varied to ensure performance is measurable?
- are the measurements 'SMART' – Specific, Measurable, Actionable, Realistic and Time- based?
- does the performance process drive better contract outcomes, or is it performance management for performance management sake?
- is the data readily available or will additional methods need to be implemented?
- if there are instances of underperformance, is there an agreed process for addressing the poor performance, or escalating continued performance issues?

If necessary, amend the current contract through the contract variation process to include the updated KPIs.

### **Contract administration (record management)**

Information management is an important part of contract management as accurate records must be maintained and accessible. The contract administrator must keep key contract information updated in the contract management system to enable a single source of truth.

For OOHC contracts this record keeping within the contracts management system will be undertaken by the Procurement and Contracts team.

For non-OOHC contracts the record keeping will be undertaken by the contract administrator allocated by the Manager, Service Contracts and Licensing.

Following award of the contract, the contract administrator must issue to the supplier in writing and keep in the contract file all instructions (including amendments and variations), notices, approvals and acknowledgements.

### **Contract administration (financial administration)**

The contract administrator should monitor the contract spend throughout the contract lifecycle. The contract information in the contract management system must be updated to reflect any changes in the Approved Contract Value (ACV). Once the actual spend reaches the ACV, no additional purchase orders should be issued unless the ACV is revised.

The contract administrator should conduct frequent financial reconciliations between purchase orders/work orders approved; invoices paid against the contract and Approved Contract Value (ACV).

### **Contract administration (risk management)**

The contract manager should actively compile and manage risks throughout the life of the contract. The risk register template should be updated when necessary and new risks added as the contract progresses. Risk reviews can be incorporated into the regular performance review meetings to ensure they remain up to date.

An escalation process should be put in place, with all high to extreme risks reported to the contract owner for action.

### 4.2.2 Step 2.2 – Dispute resolution

Proactive and planned contract management can prevent disputes from occurring. Formal dispute resolution (eg mediation, arbitration or taking formal legal action) is a last resort and appropriate actions should be taken by the contract manager and contract owner to address issues as they arise.

The contract manager must follow the process defined in the contract for addressing complaints and managing disputes. During the contract kick-off meeting the contract manager should inform key users that contract complaints should be sent to the contract manager as the first point of contact.

In the circumstances where a complaint is raised, the contract manager should liaise with the supplier representative to resolve the issue in alignment with the contract terms and conditions. Some complaints may be resolved relatively easily. In such cases, direct contact with the supplier representative is the most effective response.

In the circumstances where the contract manager is not able to resolve the complaint, the complaint should be escalated in accordance with the terms and conditions of the contract. Where there is no clear definition the contract manager should follow the escalation diagram represented in Figure 5.

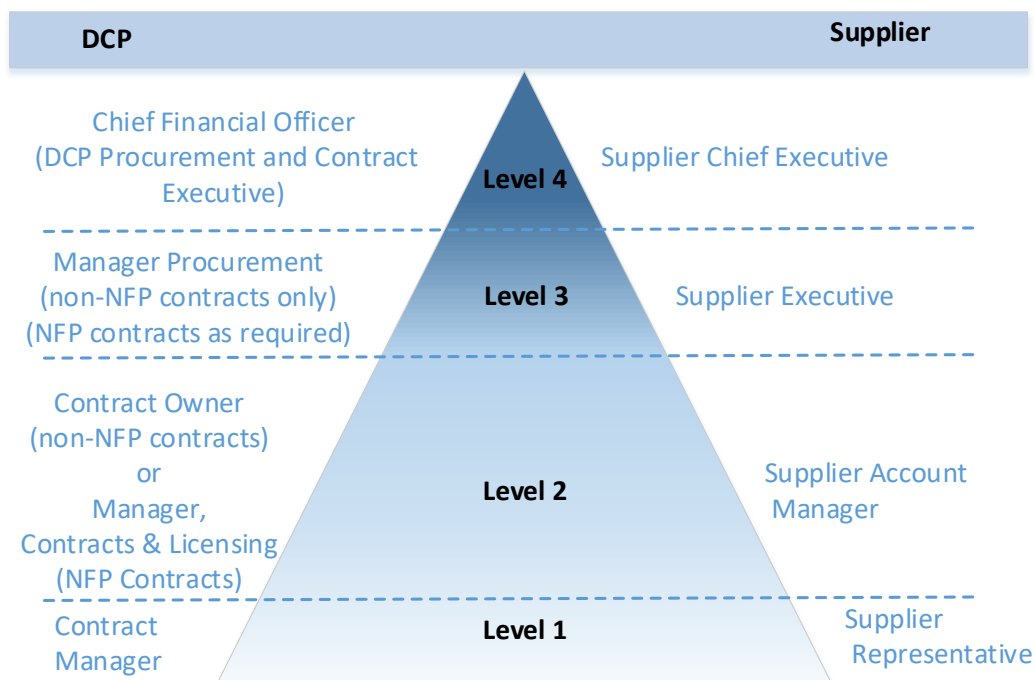


Figure 5: Escalation of issues

In the case of NFP contracts, the Manager Service Contracts and Licensing will manage all escalations from the contract manager and engage the Manager Procurement (as required) when escalating to the Chief Financial Officer.

In conjunction with the process set out in the contract for addressing complaints and managing disputes, the contract manager should:

- engage the supplier in an open, transparent and constructive conversation outlining the issue or potential issue
- give the supplier an opportunity to explain the cause or nature of the non-performance or compliance
- work with the supplier to collectively develop a mutually agreeable solution to address the issue(s)



- seek assistance from subject matter experts to ensure the agreed plan is suitable (this may include seeking DCP Legal Services input via procurement)
- escalate the issue(s) if the scope of the issue is outside your authority
- seek termination as last resort.

### 4.3 Step 3 - Contract reviews, extensions and variations

During the contract lifecycle, circumstances may require a contract to be varied. Examples of key reasons why variations are sometimes needed include:

- technology changes or improvements
- changes in legislation that impact on the contract and specification (eg changes in industrial relations legislation)
- demand fluctuations
- specification revisions and adjustments
- requests for additional goods or services outside the original contract scope
- changes in external pricing drivers (eg commodity prices or labour rates).

When a variation does arise the scope and impact of the variation should be documented and advice sought from:

- Procurement for all non-NFP contract variations.
- Service Contracts and Licensing for all NFP contract variations.
- All variations should be captured on the Contract Variation template.

Discussions to exercise an extension should commence well before the expiry date in case the extension option is not taken up and a new procurement process is required (minimum six months).

All contract extensions must be approved in accordance with the contract and be approved by the appropriate delegate.

All contract extensions shall be managed via the DCP extension letter template. Contract renewals (including where contracts have exhausted all extension options) will be managed via a new contract process.

#### 4.3.1 Step 3.1 – Contract reviews and reporting

DCP is required to, from time to time, undertake an assessment of their strategic contracts and contracts valued above \$550,000 to determine whether:

- the contract continues to deliver value for money; and
- there is opportunity for improvement and/or innovation.

These reviews will be conducted annually, at a minimum, for each applicable contract 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) via the CMLS Contract Review Process on:

- contract expenditure
- allocated resources
- contract outcomes and supplier performance
- contract variations / proposed variations
- results of efforts to mitigate risks through the life of the contract.



Feedback from internal and external stakeholders should be sought for the review in conjunction with KPI and financial data available for the contract from CMLS.

The following table provides guidance for contract managers when completing each aspect of the CMLS contract review.

Reporting requirement	Description	Measure
Contract expenditure	Value of approved contract value vs 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 period	#
Contract outcomes and supplier performance	The performance framework will be set out 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 variations and any raised during the period	Current: # New: #
	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 conducted. At least annually or where significant change to authority, market or 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	%

The following tools and templates are provided to assist with performing steps in Contract close-out:

- CMLS Contract Review Report - Record the analysis performed and recommendation to extend, renew a contract, close-out and/or transition to other suppliers.

### 4.3.2 Step 3.2 – Contract extensions and variations

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

Exercising an extension option or varying a contract must be approved in accordance with Treasurer's Instructions and the DCP's approval policies and procedures.

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

## 4.4 Step 4 Summary – Contract close-out

The contract close-out is the step for closing-out contract obligations and liabilities with suppliers. It may also include transitioning to another supplier for the goods/services.

Contract close-out may occur as a result of:

- having utilised all available extensions available under a contract
- deciding not to utilise remaining contract extension options
- deciding to terminate a contract during the contract period.

Contract close out is important as it set a clear closure of the contract with the supplier and ensures a smooth transition to any new or alternate supplier.

It is important to manage the following risks during the close out process:

- open contract obligations and liabilities
- significant financial exposure
- contractual claims
- operational impacts if transition is not properly managed.

The following tools and templates are provided to assist with performing steps in Contract Close-out:

- Lessons learned log template - document lessons learned throughout the contract lifecycle.
- Close-out check list - confirm all close-out activities have been performed.
- Close-out report template - document contract close-out position.

### 4.4.1 Step 4.1 – Transition out

In certain circumstances, the need for the contracted goods/services will continue, however, a commercial decision may be made to engage another entity to provide the similar set of goods/services.

DCP 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.

The transition period from one contract to another can be a high-risk period for the customer. It is the responsibility of the contract manager to develop a contract transition plan. The contract manager should consider the following aspects when developing the contract transition plan:

- identify any specific differences between the current and future contract
- develop a new communication plan, identify stakeholders, both internally and externally who may be impacted by the change
- update internal processes or procedures with any changes required under the new contract.

Depending on the size and complexity of the contract, the transition period may take several months and require ongoing management by the contract manager.

#### 4.4.2 Step 4.2 – Disposal

Where applicable, DCP will dispose of surplus goods in a manner that is lawful, efficient, economical and ethical. Refer to the [DTF Disposal Guideline](#) for further details

#### 4.4.3 Step 4.3 – Post contract review

A post-contract review report (also referred to as a 'contract closure report') will be prepared for all routine, complex or strategic contracts.

The objective of this activity is to evaluate supplier performance, to provide feedback that can be used as a reference for future work.

Prior to the close-out of the contract, the contract manager should conduct a Contract close-out review. The following fundamentals need to be taken into consideration as part of the review:

- whether the contract achieved its objectives
- the supplier's performance
- customer performance
- satisfaction of the users
- contract variations
- disputes that arose during the contract
- budgeted versus actual costs
- feedback from the contract owner and/or contract users
- weaknesses in planning, management and procedures
- identification and analysis processes that went well, areas that did not go well and potential areas for improvement for future contracts
- audit reports.

Refer to Step 3.1 for a guide to completing a CMLS contract review.

The depth and detail of the review process will vary depending on the contract. However, the review process is critical regardless of the size and value of the contract.

Where appropriate, the contract manager should provide all or part of the feedback from the contract review to the other contracted party or parties. This will enable any future arrangements to better meet the needs of the customer.

#### Lessons Learned:

Once a contract has concluded it is important that the contract is reviewed and lessons are logged. This supports DCP's objective to continually improve its contract management capability. The best practice

approach is to gather the contract management team together and undertake a review session to capture the lessons learned. It is best to do this before any team member moves on to other contracts or projects.

The contract manager should refer to the lessons learned process guidelines and the lessons learned log template.

### Contract close-out (finalising of contract)

At the conclusion/expiry of the contract, the contract administrator must formally close the contract according to the agreed terms and conditions. The contract administrator should use the close-out checklist to document the close-out activities and the close-out report template should be used to capture all key close-out information. The following steps should be considered when finalising a contract:

- verify all deliverables/work has been completed (technical and financial completion)
- verify contractual requirements have been effectively met
- complete and verify handover of deliverables (where relevant)
- obtain all final reports, documentation and clearances from the supplier
- make arrangements in regard to warranties available under the contract
- settle any outstanding claims
- confirm all contractual obligations have been fulfilled and the supplier has submitted all outstanding invoices
- terminate all access arrangements (eg rights to site, premises and systems)
- demobilise and transition of staff
- complete the close-out checklist
- prepare a final account statement indicating all amounts owed by or to each party, including claims. The final account statement will be sent to the supplier for acceptance and following agreement all outstanding amounts will be paid and claims settled
- for some contracts, the contract administrator must issue a Final Completion Certificate to formally recognise the completion of the works, that all contractual obligations have been fulfilled.

## 5. Compliance, monitoring and evaluation

This framework will be reviewed and updated by Service Contracts and Licensing in accordance with the requirements stipulated in the DCP Policy Governance Framework.

The effectiveness of this guideline will be monitored and evaluated by Service Contracts and Licensing as part of this process.

## 6. Related documents

Related documents, forms and templates
<a href="#">DCP Risk Assessment Framework</a>
<a href="#">DCP Procurement Governance Policy</a>
Contract Information Requirements Guide
Contract performance review meeting template
Risk register template

Checklist for contract extensions/renewals
Contract review report
Contract Variation template
DCP extension letter template.
Lessons learned log template
Close-out check list
Close-out report template
Lessons learned process guidelines

## 7. Roles and responsibilities

There are three essential roles for managing contracts effectively. Each role draws on a range of skill sets. These roles may be assigned to current DCP employees or contractors with the correct skills and delegations of authority. Where necessary, the same person could be delegated to one, two or all of the roles described below. A matrix of responsibilities across each step of the contract and performance management cycle is included in Appendix A.

Role	Authority/responsibility for
Contract Owner	Person accountable for the budget/cost centre that funds the contract. DCP employee with delegation to approve contract payments and variations. Appoint contract management roles. Recommended to be a senior employee from the business who is impacted by the contract outcomes.
Contract manager	Manage contracts through post-award lifecycle as the single point of contact for suppliers on all contract matters. Monitor contract performance and compliance. Recommended to be a representative of the contract management team with the relevant contract management skills who is closely aligned to the business area(s) affected.
Contract Administrator	Perform administrative activities over the contract management lifecycle (eg information management, cost control, etc.). Recommended to be a representative from the DCP contract management team.



## Document control

<b>Reference No./ File No.</b>			
<b>Document Owner</b>		<b>Lead Writer (name, position)</b>	
Directorate/Unit: Service Contracts and Licensing, Finance and Corporate Services		David Litster, A/Manager, Service Contracts and Licensing	
Accountable Director: Chief Financial Officer			
<b>Commencement date</b>	1 July 2021	<b>Review date</b>	1 July 2024
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<a href="#">Risk Assessment Matrix</a>	Minor	Unlikely	Low

REVISION RECORD		
Approval Date	Version	Revision description
05/09/2018	1.3	Document published
7 May 2021	2.0	Transition to new template and minor updates for whole of government procurement reforms

## Appendix A – RACI

Activity	Procurement	Contract owner	Contract manager	Contract administrator	Supplier	Key users
1.1 Contract hand-over	R/A	C	I			I
1.2 Define contract classification	R	I	A			
1.3 Confirm contract management roles		A	R	I	I	I
1.4 Finalise contract management plan	C	I	R/A		C	C
1.5 Set-up information management structure			C	R/A		
1.6 Conduct kick-off meeting	C	C	R/A	I	C	C
2.1 Manage performance		C/I	R/A		C	C
2.2 Contract administration			C	R/A		
2.3 Manage complaints		A	R		C	C
2.4 Manage contract extension, renewal or variation		A	R	I	C	C/I
3.1 Final performance review		A	R		C	C
3.2 Lessons learned	C	C	R/A	C	C	C
3.3 Transition Out		I	R/A	I	I	I
3.4 Contract close-out		I	A	R	I	I

R – Responsible – person who performs the activity or does the work

A – Accountable – person who is ultimately accountable and has the Yes/No/Veto

C – Consulted – person that needs to feedback and contribute to the activity

I – Informed – person that needs to know of the decision or action