

Shire of Mundaring

POLICY

CONTRACT MANAGEMENT

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Committee Rec:	ARC3.02.21	Date:	16 February 2021
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Policy Ref:	AS-04 Purchasing Policy OR-12 Code of Conduct		
Guidelines Ref:	Conflict of Interest Guidelines for Employees		
Local Law Ref:	N/A		

PURPOSE

The purpose of this policy is -

- to provide guidance to Shire employees responsible for creating and managing contracts;
- to provide consistency across the organisation when managing contracts; and
- to establish documented practices for managing contracts.

POLICY

Definition

Contract management: The process that ensures that both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the financial and operational objectives required from the contract.

Scope

This policy applies to all Shire employees involved in managing contracts. Employment contracts are excluded from this Policy.

Policy

In pursuit of effective contract management Shire employees tasked with contract management will address the following factors:

1. Managing risks

The approach to managing risks for individual contracts will be consistent with the Shire's Risk Management Framework.

Risk exposure will be minimised by measures such as:

- Considering and allocating clear contract management responsibilities during the planning stages of any procurement activity;
- Using the most recent version of the Shire's templates for Requests for Tender (RFT), Requests for Quotations (RFQ), contracts and conditions;
- Requiring conflict of interest declarations from all employees having responsibility for managing the contract;
- Maintaining an up to date contracts register, including the following information:
 - Records file number;
 - Purpose of the contract;
 - Name of the contractor(s);
 - Commencement and expiry dates;
 - Possible extensions as specified in the contract;
 - Extensions exercised;
 - Expiry after extensions;
 - Variations accepted;
 - Estimated annual budget (ie contract value); and
 - Actual contract spend.
- Requiring a bank guarantee within seven days of contract execution, where appropriate (usually for major construction contracts);
- Requiring full contract execution prior to the commencement of work;
- Requiring the contractor to have appropriate public liability, professional indemnity, workers compensation insurance as detailed in the contract;
- Certifying accuracy of invoices prior to processing payment;
- Effectively managing the contract by monitoring, evaluating and following up the contractor's performance.

2. Managing relationships

Communications between both parties to the contract will be open, constructive, non-adversarial and based on mutual understanding.

Should problems arise, they will be resolved in a timely manner. Employees responsible for managing contracts must protect the Shire's interests in all instances.

3. Managing resources

All employees managing contracts will be provided with appropriate training to manage contracts and projects, including but not limited to:

- Intensive induction and familiarisation at the commencement of employment;
- Regular refresher training provided by experienced trainers or organisations.

4. Specifying responsibilities

All decisions relating to the approval of contracts, contract extensions and contract variations, whether as a result of a public tender process or any other procurement processes, will be made in accordance with approved authorisation limits established in the Shire's Purchasing Policy AS-04.

4.1 Contract variations

- Contract variations must not breach the *Local Government (Functions and General) Regulations 1996*, Purchasing Policy AS-04 including authorisation limits and will only be considered if -
 - ✓ they are necessary for the goods or services to be supplied and do not significantly alter the scope of the original contract. They must not be used to avoid undertaking a new procurement process; or
 - ✓ they are a renewal or extension of the term of the contract, were included in the original tender documentation (if the contract results from a tender) and have not yet been exercised.
- The cumulative value of contract variations must not exceed 10% of the original contract value. Should this occur, the contract must be reviewed and an assessment made of whether a separate procurement process should be undertaken.
- Should the cumulative value of variations to a contract formed other than through a public tender process cause the contract to exceed the tender threshold, a formal tender process must be undertaken.

4.2 Contract extensions

- Contract extensions can only be approved before the expiration date of the original contract or previously extended term.
- Where a contract includes an option for extension(s), the performance of the contractor must be assessed and documented prior to approving each extension.
- Contract extensions must provide value for money and must be provided for in the Annual Budget.
- Extensions must be approved by the original contract decision-maker (i.e. Council or the employee with relevant delegated authority).

5. Keeping records

Effective contract management relies on good record keeping. Following is a non-exhaustive list of essential documents to be retained during contract management:

- All tender documentation;
- Council minutes or delegate's decision of preferred contractor;
- The most current version of the contract, incorporating any variations;
- Evidence of insurances held by the contractor;

- Records of communications and meetings with contractors and stakeholders;
- Contractor performance review prior to extension of the contract;
- Agreement from Shire of Mundaring to extend the contract;
- Requests and Shire agreement to vary the contract, including approved variation invoices.

6. Behaving ethically

Employees responsible for managing contracts will at all times comply with the Shire's Code of Conduct and the provisions of the *Local Government Act 1995*.

At any stage during the contractual relationship conflicts of interest, whether real or perceived, must be notified to the Chief Executive Officer and managed in accordance with the Shire's Conflict of Interest Guidelines.