

Procedure  
5.08.3Contract administration and  
management

Department	Strategy & Business Services
Responsible Officer	Manager   Business Services

## Preamble

This procedure addresses those aspects of the process from contract signature to contract closure. It is assumed that all aspects prior to (and including) contract signature are addressed in a separate procedure addressing procurement procedures.

This Contract Administration and Management procedure is one of a number of procedures that fall under the umbrella of *Policy 5.08 Procurement of assets and services*.

## Objective

The aim of individual contract management is to ensure that deliverables are provided to the required standard, within the agreed timeframe and achieve value for money.

Throughout the contract management process, contract managers will comply with the Code of Conduct and in particular, will:

- Act in accordance with the *Local Government Act 1993*;
- Disclose, and take reasonable steps to avoid any conflict of interest (real or perceived);
- Deal with contractors and consultants impartially;
- Avoid improper use of their duties, status, power or authority to gain, or seek to gain, a benefit or advantage of whatsoever nature;
- Not compromise council's reputation and standing by accepting inappropriate gifts or hospitality;
- Be careful in their use of public property; and
- Read, understand and act consistently with the terms of the relevant contract(s).

## Types of Council contract

Council aims to make use of different standard contracts depending on the nature of the project and its cost. The types of contracts which Council use are:

- Consultancy agreements – involving the engagement of professional services, for example to address organisation or strategic planning issues.
- Service and Operational agreements - where a party is engaged by way of a procurement process to provide specified services to Council at a fixed cost (e.g., waste collection).
- Capital Works agreements - for the planning, management and delivery of Council construction projects, and
- Property and leasing agreements - the leasing or purchase of property is excluded from this procedure.

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## Council's contract register

A Council contract register is centrally maintained by the Contracts and Property Services Co-ordinator. This register contains details of Council contracts, to assist Council to:

- Meet its reporting responsibilities; and
- Monitor contract end dates and remind Council officers when contracts are nearing their completion date to facilitate fresh tendering processes if required.

## Roles and responsibilities

### Contract Managers

A Contract Manager is a Council officer who oversees the day-to-day management of contracted works or services in relation to a particular agreement.

The Contract Manager is responsible for ensuring the contracted goods and services are provided in accordance with the specification and terms of the contract. This is achieved if the contractor fulfils obligations and accepts its liabilities under the contract.

The Contract Manager is also responsible for maintaining a positive relationship with the contractor. To this end, the Contract Manager oversees and reviews the daily activities associated with the performance of the contract from when it is executed through to the time it is discharged by performance. These activities include:

- Represent Council's interests when dealing with contractors
- Promote ethical conduct, honesty and transparency in all dealings
- Review, monitor, manage and report contract risks
- Maintain effective communication with contractor
- Process and approve variations (within financial delegations)
- Document continuous improvement practices for future contracting purposes
- Maintain appropriate records, document management and reporting
- Certify accuracy of invoices prior to processing payment
- Monitor contract performance and undertake contract performance reviews
- Resolve disputes or assist with dispute resolution, and
- Act in accordance with the contract.

### Contracts and Property Services Coordinator

Contract Managers are supported in their role by the Contracts and Property Services Coordinator, as required. As the terms of agreements are a fundamental aspect in ensuring the contract operates successfully, the Contracts and Property Services Co-ordinator may be involved in reviewing the draft contract or seeking external legal advice, if required, prior to tenders being invited.

The Contracts and Property Services Coordinator maintains the Council's contract register. Following the preparation of the contract and finalisation of the formal documentation the Contract Manager first provides the contract details to the Records area for reporting and recording of data in TRIM, and then to the Contracts and Property Services Co-ordinator.

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## Contract start up

Following the issue of a purchase order from the financial management information system (Authority) and a letter of acceptance, contracts must be 'executed' (i.e. officially signed by the appropriate delegate to give it effect), as soon as possible, and prior to the commencement of any works.

Council contracts are executed in line with Council's delegation of authority, and payments made to the contractor should align to the amounts within the contract particulars.

In instances where it is not possible to implement a full contract due to the urgency associated with the works, the relevant Council officer with appropriate delegated authority must issue a purchase order and a letter of acceptance which establishes the contract until the formal contract has been finalised and executed.

## Insurances

Once a contract has been signed, it is essential to ensure that all specific obligations relating to insurance are met from the contract commencement date. These obligations will be detailed in the contract and should be reviewed before execution of the contract, but are likely to include a requirement for:

- The contractor to have appropriate public liability, professional indemnity liability, workers compensation and possibly works insurance, and to provide the Contract Manager (if requested) with certificates of currency issued by the insurer in respect of each policy;
- The level of required professional indemnity insurance may vary from the standard amount stipulated by Council, depending on the nature and assessed level of risk of individual projects. A self-assessment of professional indemnity must be completed by Contract Managers seeking a variation to the default level of PI insurance coverage required and approved by the relevant Group Manager;
- The contractor is to obtain contractor accreditation with Council's third party provider (BNG) for insurance, WHS and employee licences within 14 days of the commencement of the contract; and
- Subject to the requisite documents being in place, Council is to give the contractor access to the work site to allow it to commence work on the commencement date.

## Bank guarantee

A contractor may be required within seven days of the contract execution, to provide Council with cash security or an unconditional undertaking (duly stamped) on terms and given by a financial institution approved by Council, in the amount stated in the Contract Particulars. The purpose of this requirement is to promote the satisfactory performance of the contract by providing a cash disincentive for non-performance.

The bank guarantee is usually a percentage of the contract lump sum and is necessary to protect Council against risks such as the contractor's insolvency, failure to perform the services or, in the case of revenue contracts, defaulting on payment to Council.

The Contract Manager must ensure that this obligation is met.

Unconditional bank guarantees must be sought for Council. An unconditional bank guarantee does not have an expiry date and remains valid for as long as it is in Council's possession.

Upon receipt of a bank guarantee, the Contract Manager:

- Confirms the bank guarantee meets contract requirements;
- Forwards the original bank guarantee to Records for creation of a legal document packet and retention of a copy of the bank guarantee on contract file in TRIM.

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## Contract register and formalities

Once a Contract Manager informs the Contracts and Property Services Co-ordinator that a contract has been signed, the Contracts and Property Services Co-ordinator records the details in Council's contract register.

The Contract Manager returns a signed version of the original contract to the contractor and delivers Council's signed version of the original contract to Records for registration and storage as a legal document. A copy may be retained by the Contract Manager or Contracts and Property Services Co-ordinator for reference purposes. A copy will also be placed in TRIM by Records.

Sound record-keeping practices are to be established at the beginning of a contract. Although paper-based files are not necessary, all documents, including plans and records concerning communication with the contractor, must also be saved on the TRIM system by the Contract Manager, Contracts and Property Services Co-ordinator and/or Records officers.

## Contract management plan

A contract management plan (which should be incorporated in a broader Project Management Plan) is a plan specific to an individual contract and contains all the key information about how a contract will be managed. It establishes systems and processes to ensure that the contractor complies with the terms and conditions during the performance of the contract.

A contract management plan should be developed for all Council contracts with an initial value in excess of \$500,000 (including GST), and/or with a medium-high risk or complexity.

As a minimum, it will address the following:

- Contractor business and contact details;
- A management summary of the contract;
- Responsibilities within the council contract management team;
- Responsibilities of the contractor;
- Insurances in place and where these are stored;
- Council assets held by contractor;
- Performance management strategy (including identification of indicators and the proposed assessment strategy);
- A summary of key reporting, payment, performance assessment and meeting dates;
- Identification of risks and how these will be managed;
- Dispute management strategy; and
- Contract renewal/extension strategy.

A copy of the Contract Management Plan is to be maintained in TRIM.

The Contract Manager should regularly refer to the contract management plan, and review it annually with a view to making amendments when circumstances change.

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## Ongoing contract management

### Contract administration

Contract administration is an integral element of contract management and overlaps with monitoring and performance assessment. It encompasses various activities that need to be completed on a day-to-day basis, including:

- Developing and maintaining contact details of key people involved in the contract;
- Scheduling meetings and other actions required by the contract;
- Delivery and acceptance of goods or services;
- Making payments; and
- Maintaining complete records for the contract itself in TRIM.

### Contract administration requirements

#### Contact details

These should be maintained to assist the overall management of the contract, especially where there are changes in personnel.

#### Meetings

For most contracts, meetings will need to occur at specific times through the life of the contract. It is an important element of contract administration that a schedule of meetings for parties to the contract, end-users and stakeholders be established in advance, giving the time, place and purpose of the meeting.

#### Delivery and acceptance

Delivery refers to receipt of the contracted goods or services into the acquiring entity's possession as specified under the contract. Acceptance is the term used to describe the procedure by which the acquiring entity determines whether the goods or services meet contract requirements. In many contracts, acceptance of the contract deliverables will occur periodically throughout the life of the contract.

Particular care must be taken with phased delivery. If a contractor fails to deliver supplies by the delivery dates or to the delivery point specified in the contract there may be consequences for the contractor under the contract. The Contract Manager should ensure that various requirements regarding risk of loss or damage to the goods or services are carried out in accordance with the contract provisions. Contract Managers should ensure that, prior to goods or services being delivered, appropriate risk management measures are put in place in relation to the security and storage of goods or services. The Contract Manager should also ensure that appropriate insurance coverage for the goods or buildings has been arranged through the Insurance Officer and that the Asset Register is updated.

#### Contract payments

Payments should only be made in accordance with the provisions of the contract, and where the Contract Manager is satisfied that the provisions have been fulfilled. Before payments are made, evidence is required that the Contract Manager has certified that goods and services have been received and have met the required standard of performance. It is also important that payments for satisfactory performance are made in line with the timeframes set out in the contract.

Payments for satisfactory performance should not be delayed because this can undermine the relationship with the contractor. Payments should be made following receipt of a correctly rendered invoice. All necessary

authorisations and approvals should have been obtained prior to making payment. Contract Managers must ensure that contract deliverables and payments are aligned with the requirements of the contract.

### Records and documentation

All contract documents must be saved into TRIM. The most current version of the contract incorporating any variations must be formally evidenced in writing and maintained by the Contract Manager. The Contract Manager must:

- Document all communication with the contractor
- Hold the most current version of the contract incorporating any variations, and
- Maintain accurate records of all contract activities in TRIM.

Following is a list of documents that may need to be created and stored in TRIM during the contract administration phase:

- WHS risk assessments
- Contract management plan or checklists
- Analysis of contract conditions
- All substantive communications with the contractor
- Evidence of insurances required by Council, indemnities, bank guarantees, retention funds, deeds and/or licences required under the contract
- Records of briefings of stakeholders and/or management team members
- Transition plans
- Record of agencies' minutes, meetings, discussions relating to the contract
- Contract lists, schedules of tasks and meetings
- Records of payments
- Records of performance reports, analysis, discussions, performance assessments, feedback and of any non-compliance or under or non-performance
- Variations to the contract
- Records of any disputes and related discussions or negotiations
- Community or customer feedback, and
- Assistance or expert advice received.

### Evaluating the contract and contractor performance

Performance reviews and key performance indicators are used to measure the contractor's performance level and achievements against the contract's specifications. It is important to measure performance in order to identify areas of poor performance as well as opportunities where performance can be improved.

This assessment is conducted periodically over the life of the contract and aims to ensure Council receives the services it is paying for, at the best value for money.

It is the Contract Manager's responsibility to undertake contractor performance evaluations. Council contract performance evaluations are focused on performance against identified KPIs, but also provide an opportunity for both parties to comment on outstanding issues and opportunities.

All completed performance evaluations are to be maintained centrally in TRIM. These should also be filed in a specific TRIM container to ensure that they may be easily accessed for use in future assessments.

End-of-contract performance evaluations are required for all contracts. It is also appropriate to conduct a performance evaluation when unsatisfactory contractor performance is identified. This will include file notes of any interactions that pertain to the contractor's performance.

Contract evaluation should encompass the overall performance of the contractor, including:

- Time management
- Standard of work
- Quality of systems
- Management and suitability of site personnel
- Management of subcontractors
- Contract administration
- WHS management
- Workforce or skills development, and
- Relationship management.

## Contract monitoring

Monitoring focuses on collecting and analysing information to provide assurance to Council that progress is being made in line with agreed timeframes and towards providing the contract deliverables.

Without an appropriate contract monitoring process in place, there is an increased risk of overpayments to contracts and contract deliverables not being made in accordance with the contract payment schedule.

The level and formality of any approach to monitoring needs to be governed by the complexity of the contract and/or the degree of risk involved.

Monitoring is focused on:

- Key deliverables and ensuring that these are achieved in line with the agreed contract schedule; and
- Contract payments and ensuring these remain in line with the agreed contract payment schedule.

## Contract variations

Contractual parties may encounter circumstances which prompt an amendment to parts of the contract or delivery of services. These could be minor administrative amendments such as changes to contract details, or significant variations altering the contracts scope and price.

It is necessary to note that any variation to the contract may alter the original timeframe, deliverables and cost. It is, therefore, in the interest of all parties to keep the number and extent of contract variations to a minimum.

A variation could also include changes to:

- Key performance indicators;
- Architectural design of a construction project;



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- Increased/reduced quantity of items purchased; which alter contract lump sum (note: changes to the lump sum may require Council approval);
  - Practical completion date; and/or
  - Delivery timeframe.

Contract Managers need to ensure that contract variations are not of such a level that they significantly change the contract requirement and/or substantial parts of the original transaction.

### Construction contract price variations

For construction contracts, a contingency value can be included in the total budget value of the contract. This value is to be clearly identified with supporting rationale to the designated delegated authority at the time of order approval, inclusive of the contingency amount. This contingency value is not shown in the value of the purchase order. The purchase order should be issued as a "service" order in Authority, to enable receipting to be based on "value" rather than by "quantity".

Contract Managers have the authority to vary a contract for the value of the contingency within the limit of their financial delegated authority when drawing down on the approved contingency.

If this contingency becomes fully expended and further price variation is required, the officer managing the contract will initiate the variation, which must be then approved by an appropriate supervisor within the limit of their financial delegated authority for the accumulated expenditure.

If the accumulated contract value will exceed \$150,000 (including GST), the variation must be approved by the General Manager.

Where a Contract Manager's position has insufficient financial delegation, or the variation represents an increase in the approved project scope and or budget (including contingency), approval must be sought from an officer with the appropriate financial delegation with relevant line management responsibilities. Such variations must be shown by amending the original purchase order by adding additional lines.

### Non construction contract price variations

Non construction contract price variations that would result in the procurement of additional goods or services exceeding the initial contract price are only to be approved by an officer with sufficient financial delegation authority and relevant line management responsibilities.

If the value of the accumulated expenditure exceeds \$150,000 (including GST) the variation must be approved by the General Manager.

In seeking approval for a contract variation, reasons for the variation will be required in writing with confirmation that:

- There are contract provisions allowing the contract to be varied, and the variation is in accordance with variation provisions of the contract;
- Additional goods or services that were not, or could not have been, foreseen at the time the contract was entered into are required;
- Sufficient funds are available in the appropriate capital or operating budget to meet the additional cost; and
- The value of the contract as a result of the variation does not exceed the purchasing limit of the officer approving the variation.

The decision is to be recorded in writing on the submission, and this documentation is to be maintained in TRIM.



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New purchase orders are to be raised at the time variations are processed, rather than amalgamated into an overall amendment.

## Dispute resolution

Throughout the term of a contract disputes may arise between parties in relation to their contractual obligation. The resolution of such disputes should be in accordance with the dispute resolution process outlined in the respective contract.

However, Council may need to be flexible in its approach where it becomes necessary to resort to a dispute resolution process which is not provided for in the contract. In general, Council favours negotiation and mediation as the preferable paths to resolve contract disputes.

If these resolutions prove unsuccessful, Council may opt as a last resort for arbitration or litigation.

### **NOTE**

A disagreement becomes a dispute when it is not possible for the parties to resolve it without resort to a formal resolution mechanism.

## Risk management

Most commercial contracts will involve some level of risk. However, it is how risk is managed that may ultimately determine the gravity of the consequence that may be associated with it.

Therefore, it is important to identify the level of the risk early in the contract process and implement prudent measures to help manage and reduce any potential impact that risk may have on the contract objective.

It is the Contract Manager's responsibility to continuously monitor risk and implement measures to minimise or mitigate any risk in the contract term and aim to address any risk issue before it negatively impacts on the contract objective.

The risk of a contract will be determined at the specification development phase of contract management plan development. The Risk Officer is to be involved in this process.

Where a legal or governance issue arises, the advice of Corporate Support Services Unit should be sought at an early stage.

Some of the more common risks related to managing a contract includes:

- The failure of either party to fulfil contract conditions;
- Unauthorised changes to the contract;
- Inadequately administering the contract;
- Loss of intellectual property;
- Fraud;
- Lack of properly maintained records;
- Conflicts of interest; and
- Changes or absences in key personnel.

## Ongoing contract management

The Contract Management and Administration procedure must be applied to all contracts. The Contract Manager, or a senior manager with management responsibility for overseeing a contract or contracts, shall conduct regular reviews to ensure that the following aspects are occurring:

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- are contract payments linked to satisfactory contract performance?
  - have all invoices, and any supporting documents, been checked to ensure they are in accordance with contract requirements and are in order to pay?
  - is timely action taken when contract performance is unsatisfactory?
  - have all amendments to the contracts been subject to formal contract variations? Is a record maintained of all contract variations?
  - where the contract has not meet agreed levels of performance, has any actions taken been adequately documented? Where it is decided not to take action, has this decision been properly approved and documented?
  - for longer term contracts, has the contract been subject to periodic review?
  - have any disputes been addressed in a timely manner and satisfactory efforts made to resolve them?
  - is the contract being actively managed so that there is reasonable assurance that contract outcomes are being achieved?

## Contract extension/renewal

### General

As a rule, Council contracts should not allow for the option of contract extensions. However, extensions may be viewed favourably in cases where there is a clear benefit to Council and provided that the extension would not damage the notion of open competitiveness of other potential tenders in the future.

Should a Contract Manager see benefit in extending a contract, approval is to be sought in line with guidance provided in the delegations manual.

This approach is to be taken for all contract extension proposals, regardless of the value involved. As outlined in the section on 'Contract Variations' above, a request for variation is to be completed and submitted to the Group Manager together with reasons for the extension and written assurance that:

- The contract is within six months of its expiry date;
- The contractor's annual performance evaluations demonstrate that there is clear merit in continuing to engage the contractor for the services required, especially from a value-for money perspective;
- The contractors is willing to extend the contract as per the tendered rates; and
- There are contract provisions allowing the contract to be varied, and the variation is in accordance with variation provisions of the contract.

### Considerations relating to contract extension/renewal

The following matters should be considered to check that necessary actions are being taken in relation to contract extension/renewal:

- Do systems/procedures enable the timely consideration of the need for contracts to be extended or renewed?
- Are all contract extensions justified on value for money grounds?
- Are there arrangements in place designed to ensure that probity issues are identified and addressed during contract extension and re-tender processes?
- Does the extension match the services and costs adopted in Council's annual budget?

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## Ending a contract

### Overview

A contract can be discharged in a number of ways. A contract can end because all obligations under the contract have been fulfilled; that is, the contract has ended by due performance.

Contracts can also end by mutual agreement, discharge or termination. The following process addresses the actions associated with the most common scenario of a contract ending i.e. because all obligations under the contract have been fulfilled.

The key aspects to consider in ending any contract by performance include the following:

- Verify that all contractual obligations have been successfully met
- Obtain all final reports and clearances from the contractor
- Make arrangements in regard to warranties available under the contract
- Terminate all access arrangements, and
- Undertake post contract analysis, evaluation and reporting.

Project finalisation meetings are a key factor in the completion planning process. Depending on the nature of the contract, meetings should be held on a regular basis and review completion programmes and project resourcing.

Should legal advice be required in relation to ending a contract, the Contract Manager should seek the assistance of the Contracts and Property Services Co-ordinator.

### Requirements for closure of all contracts

Critical to a successful contract closure is verification that all contractual obligations have been successfully met. This can include the need for the Contract Manager to:

- Review the statement of contract deliverables to ensure that goods or services have met contract requirements.
- Arrange for the return of all required documents, material, information and records used or generated during the contract that are the property of the acquiring entity.
- Arrange the return of all equipment or other goods provided to the contractor and check that it is in a satisfactory condition.
- Ensure to the extent possible, that any issues that may result in a claim against the acquiring entity are resolved.
- Return any financial and other guarantees and securities, including any deeds to the appropriate party;
- Record any intellectual property rights, including licences and the delivery by the contractor of all material expressions, information embodying intellectual property rights, any relevant documentation, technical data or reports in a form that enables access by the acquiring entity. Any instructions on the use of intellectual property should also be noted.
- Make appropriate arrangements for the receipt and storage of material and documents returned by the contractor.
- Make all final payments payable under the contract, and
- Manage the transition to a new contract.

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## Capital Works contracts

Notice of Practical Completion (Construction Works) - For capital works contracts, specific additional arrangements need to be made for Contract Completion. This is the stage when the contracted works are complete except for minor Defects. Council, as the legal Owner, is required to issue a Notice of Completion when the construction work has been completed and the building or site is safe and suitable for occupation.

At this stage, the control of the building or site passes from the contractor to the Council. It is essential for all certificates, warranties, operation and maintenance manuals and as-built documents to be provided to the Council at handover, to ensure proper management of the facility and the conduct of any post completion inspections and checks.

Prior to issuing the Notice of Completion, a series of inspections must be undertaken to:

- Agree on acceptance inspection procedures;
- Program acceptance inspections;
- Perform Wet Day/ Water Damage check;
- Prepare a defects list and any other follow-up required (including rectification and acceptance);
- Confirm the client's progressive approvals are final;
- Prepare and agree with client on the final Practical Completion Defects List (the aim being a Nil Defects List); and
- Perform a final completion inspection and sign-off with the client.

## Liquidated damages

The Contract Manager may apply liquidated damages if the contracted works are not completed by the date for completion or practical completion as set out in the relevant form of contract.

Liquidated damages must be a genuine pre-estimate of Council damages, agreed to prior to entering the contract. Damages are applied to each day following the adjusted date for completion or practical completion and until the date of completion or final completion or the contract is terminated, whichever occurs first.

In the event that the contractor pays liquidated damages and is later granted an extension of time, the Principal will have to repay the contractor the amount of damages for days within the extension of time period.

Council generally applies liquidated damages either at termination of the contract or at completion of the works. The decision to apply damages must be determined by the Council's representative as nominated in the contract.

## Defects liability period

Following completion, the contractor is responsible for rectifying defects in works completed.

This Defects Liability Period for Council contracts is not generic, but is generally for a period of 12 months from the date of completion. During this period the contractor must rectify:

- Defects identified immediately following the Date of Completion; and
- Any other defects which occur throughout the 12 month period.

The Contract Manager may specify a date by which the defects must be rectified. If the contractor does not achieve the completion date the Council may arrange for a third party to rectify the defects at the contractor's expense.

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## Project handover to Council/client

When the project is ready to be handed over to Council and/or its client, following practical completion, the Contract Manager should manage the following:

- Sub-contractor details: any subcontractor(s) assigned by the contractor to work on the contract, including their name and contact details, ABN and representatives. Also include details of the portion(s) of the project the subcontractor is specifically assigned to.
- Suppliers of materials and services: list of suppliers, their contact details, ABN, representatives and details of products and / or equipment they supply. If a schedule of rates was agreed to, include this.
- Approvals, stamped drawings, as-built drawings: unless otherwise stated in the contract, drawings provided should be limited to those likely to be of genuine value to the client. This would include some (not all) workshop drawings. You do not need to provide file details as these would have been superseded by workshop drawings.
- Warranties - a section of the authority file should list and provide copies of warranties and guarantees applicable to the project.
- Certificates – structural, contamination etc.: the manual should contain any certificates relevant to the project.
- Operation & maintenance manuals: the manuals will act as a guide for the buildings operations and maintenance staff during the course of their work. The documentation must:
  - Enable persons unfamiliar with the building to understand the operation of the facility;
  - Provide sufficient information for experienced personnel to maintain the facility;
  - Describe unique or distinctive performance features - (For example: energy saving devices, standby generator operation, façade cleaning methods);
  - Assist building owners/operators to fulfil statutory requirements;
  - Define emergency procedures and identify contact phone numbers; and
  - Be building specific.
- Defects liability schedule: the schedule should list any defects identified by the project manager in the lead up to handover, the date of rectification, expiry date of the defects liability period, the client's responsibilities in identifying defects and the contractor's responsibilities in rectifying these within a nominated timeframe.
- Notice of Completion - the Notice of Completion identifies the date the project was completed and when the defects liability period commenced. It also provides the client with confirmation the works have officially finished and rental income, in some cases, can commence.
- Occupancy certificate - the certificate indicates to the client the completed building is approved by Council for occupation by tenants.
- Relevant correspondence – only include correspondence regarding the project that is of relevance to the client, such as contracts, variations or decisions via emails or letters, and
- Training - commence training the client (or their building manager) during the commissioning stage of the project. Initially, the client should be an observer during this period and proceed to fulltime "hands on" involvement at the later, inter system test stage.

If computerised controls are used as part of the works, the client may have to undergo offsite training by the contractor.

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## Contract finalisation

The final fundamental aspect of project completion is finalising the contract and accounts once practical completion has been achieved. Finalising the contract includes addressing the following:

- Replacement Insurance Valuations - this service is primarily conducted for buildings and may be provided to the client upon practical completion. The project manager indicates the entire amount spent on the project, as well as the value of any assets for insurance purposes. In some instances, an asset has greater value than the amount spent on it.

Replacement insurance must consider:

- Requirements for demolition and debris removal;
- The period for claims finalisation;
- Redesign and authority approvals; and
- Rise and fall until a new project completion date.
- Final Certificate - at the end of the defects liability period, and subject to a satisfactory final inspection by the project manager, a final certificate should be issued to the contractor signifying the end of the defects liability period.
- Release of Bank Guarantee - the final portion of the bank guarantee should also be released and returned to the contractor.

## Releasing a bank guarantee

Following completion of the contract, the Contract Manager must arrange for the release of any bank guarantee. Once the Contract Manager has finalised the contract and performed reviews, the bank guarantee is to be returned to the bank and a copy retained in TRIM. The bank should then cancel the guarantee and advise that this has occurred.

A bank guarantee can only be cancelled:

- When the guarantee is returned to the financial institution by Council; or
- When the specified amount has been drawn in full.

The bank guarantee must be released and returned to the financial institution upon contract expiry and following the final evaluation. All defects should have been rectified in the lead up to the end of the liability period, with updates and regular monitoring occurring in the project finalisation. If any latent defects are noted (excluding wear and tear), the contractor should promptly fix these, with a reinspection to be followed by the project manager.

The final certificate should be issued in accordance with the head contract on the due day. Some head contracts may not recognise final completion in a formal manner although a defect liability period is still applicable.

## Transition arrangements

Transition refers to the changeover from one contractor to another, from one contractual arrangement to another or the continuation of an existing arrangement on a different basis.

The transition phase will generally involve:

- Undertaking a new tender process;
- Re-negotiating the contract with the current contractor, or

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- In some cases, possibly extending the contract, based on an assessment of value for money.
  - While the foundations for managing transition to new contractual arrangements may be addressed in the contract, Contract Managers must ensure that the following issues are addressed at least 3 months prior to a contract ending:
  - Contractor issues
    - Management of period of overlap during which new contractor works alongside outgoing contractor to achieve a seamless transition of service;
    - Process for returning Council's goods, plant and equipment to Council or the new contractor;
    - Process for issuing the final invoice and arranging payment;
    - Arrangements for a final performance and contract evaluation;
    - Arrangements for data transfer: and
    - Any other key matters and actions that need to be considered and undertaken as part of the handover of service delivery to a new contractor.
  - Council issues
    - Timeframe for performing the final review;
    - Timeframes for notifying the contractor of the outcome of the review;
    - Timeframes for developing, advertising and awarding the next tender;
    - Handover processes from outgoing to incoming contractor; and
    - Timelines and requirements for releasing any bank guarantees.

## Post-contract analysis, evaluation and reporting

Contract evaluation should encompass the overall performance of the contractor and of the acquiring entity. The evaluation of the operation of the contract and of contract outcomes can be very useful in understanding and improving overall contract management, improving contractor performance and can assist in future stakeholder decision-making.

An evaluation is to be undertaken at the end of all contracts. When completing the evaluation template, the Contract Manager should:

- Review all aspects of contract performance and its management;
- Provide feedback to the contractor (this should not be done as part of another procurement process);
- Report to stakeholders, and
- Identify lessons learned.
- The following aspects should be included when conducting the evaluation of the contract:
- Did the contract achieve its objectives?
- Were stakeholders' requirements met?
- Did the contract deliver quality outcomes?
- How well did the performance review process work?



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- Did the management arrangements established by the acquiring entity facilitate achievement of contract outcomes?
  - What lessons did Council learn from the contract?

A copy of the completed evaluation is to be placed on the contract management file. A copy is also to be filed in TRIM for corporate management purposes and to enable use for future tenders.

## End-of-contract records

The following documents may need to be created and stored as part of ending a contract:

- Handover checklist;
- Final performance evaluation form;
- Any performance reports;
- Confirmation of return of security/access passes and Council material;
- Verification of the return of all goods and services;
- Lessons learned;
- Feedback to and from the contractor; and
- Any related reports to managers.

## Checklist for ending a contract

The following checklist should be used to check that the necessary actions are being taken in relation to ending a contract:

- Has the contractor delivered all required contract outcomes?
- Has the contractor met all their contractual obligations?
- Has the contractor returned all Council material, equipment or other resources used or generated during the life of the contract?
- Have all access arrangements been terminated?
- Has an evaluation of the contract been undertaken and, where appropriate, lessons learned been built into future contracting activities? And
- Has the contractor's performance been evaluated, properly documented, and feedback provided to the contractor?