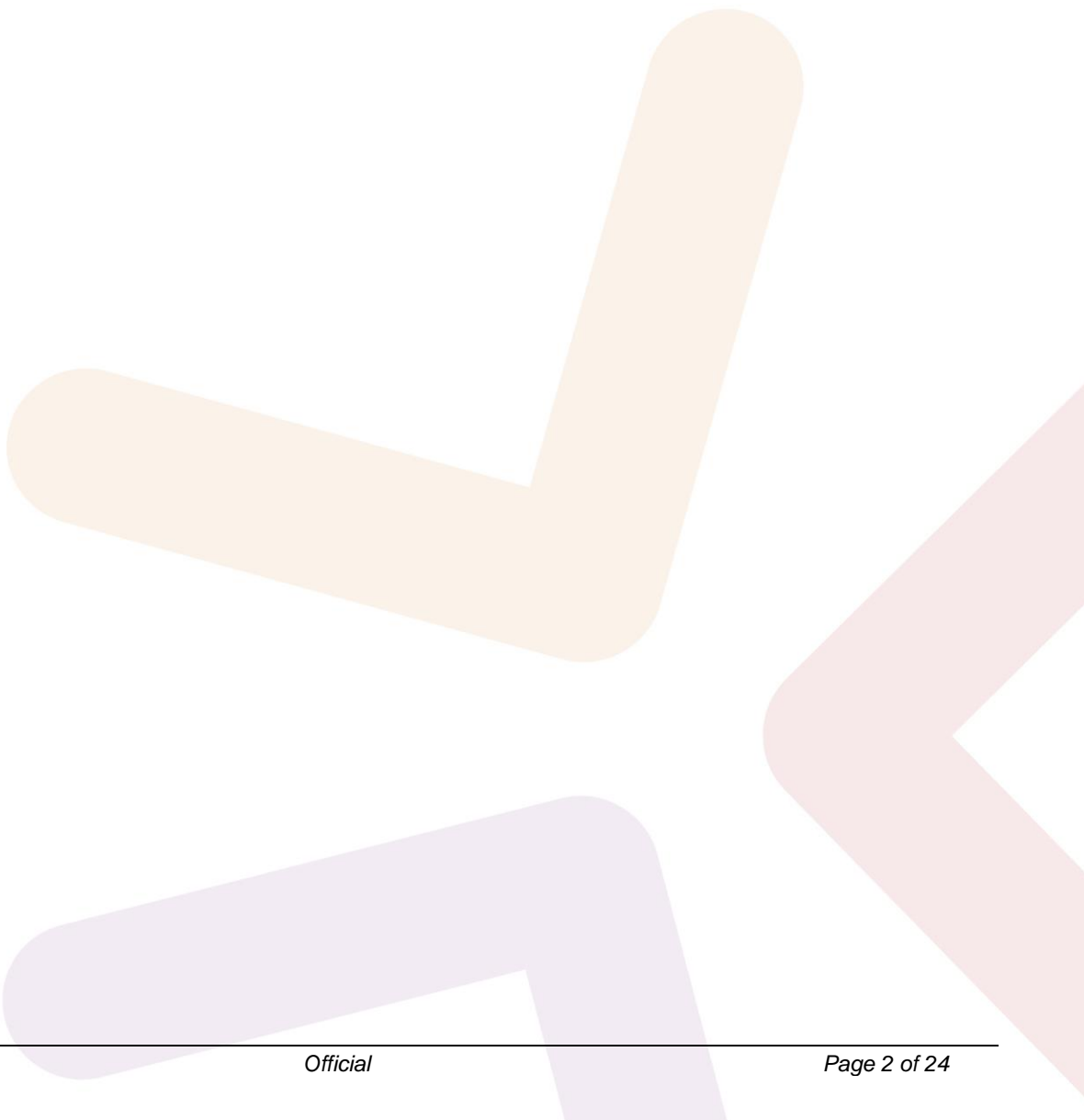


Guide to Contract Management

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What is contract management?

Contract management can be defined as ‘the activity of a buyer before, during and after a contract is signed, to ensure that all parties to the contract understand and fulfil their contractual obligations’. The contract may be for specific projects or for the supply of goods or services over a period of time, typically between one to three years, depending on circumstances and objectives.

Why is it important?

Contract management is a critical function that assists in maximising the overall value for money of contracting activities. It enables an organisation to meet internal and external management and reporting responsibilities in a cost-effective manner. In particular, contract management improves financial and operational performance by:

- Ensuring delivery of procurement outcomes
- Driving continuous improvement
- Creating value
- Providing a framework for managing performance
- Mitigating risk
- Clarifying roles of buyer and supplier
- Enhancing the value of supplier relationships
- Assuring quality
- Ensuring legislative compliance.

Contract management

Contract management in procurement includes activities and events before, during and after the signing of a contract for goods and services.

Value for money

Value for money in contract management is enhanced by:

- Making decisions in an ethical, accountable and transparent manner
- Mapping and analysing spend patterns and associated costs, which can lead to users modifying their needs to optimise overall value for money
- Including related costs (handling, distribution, administration etc.) in analyses to identify and eliminate waste or duplicated costs
- Progressively reducing transaction and administration to reduce costs.

Effective contract management

Effective contract management is a key component in achieving value for money procurement outcomes. The processes, structure and resources to be applied in contract management should be identified during the procurement planning stages.

Contract conditions should specify:

- Compliance (probity)
- Reporting cycle and format

- Level of supplier personnel involvement, supplier deliverables and requirements
- Systems integration requirements, etc.

Probity

Reflecting HSV's legislative functions and Government reforms in procurement practices, HSV's policy framework emphasises strategic procurement planning and governance. HSV's responsibilities include:

- Establishing and supporting best practice procurement and probity standards
- Strengthening procurement and probity knowledge
- Monitoring procurement and probity compliance.

For guidance on probity principles in contract management practices, refer to the *Guide to Ensuring Probity in Procurement Practice* and, in particular, the section on conflict of interest.

Efficient, effective and ethical use of resources

Efficiency in contract management is enhanced by transparent, fair and responsible relationship management of a scale commensurate with the size and risk profile of the procurement and contract.

Effectiveness can be achieved by ensuring that the good or service outcomes meet objectives (especially in terms of price, quality and quantity) and the degree to which outputs contribute to specified outcomes. This requires comprehensive monitoring, interaction and assessment at all stages of the contract life cycle as part of the contract management.

Ethical contract management requires purchasers and contracted suppliers to deal with each other with respect and integrity in a manner that engenders mutual trust. Ethical contract management identifies and avoids conflicts of interests and does not make improper use of an individual's or organisation's position.

Compliance with government legislation

There may be specific legislative requirements affecting their particular purchasing activities. For example, when acquiring medical equipment, the requirements of the Therapeutic Goods Administration (TGA) should be considered, and when purchasing any hazardous substances, OH&S legislation must be considered.

Contract manager responsibilities

The Contract Manager role may be assigned to an individual or shared by different people at different stages in the procurement process. Equal importance should be given to the role in the planning, transition and ongoing management phases of contract management. The primary contract management responsibilities are shown in [Appendix 1](#).

Contract management capability

The skills of the Contract Manager need to be matched to the requirements of the contract. Refer to the Capability Matrix Template for further details. Skills required of a Contract Manager include:

- Strategic skills (understand relationship between procurement, Government and organisation strategy)
- Project management skills
- Negotiation and conflict resolution skills
- Record keeping and file management
- Decision making ability
- Research and analytical skills

- Professionalism (knowledge of management accounting, reporting, legal and/or technical)
- Understanding of and active participation in the procurement planning process in relation to contract management.

Roles and responsibilities

Other people may take on the role of Contract Manager or be assigned roles and responsibilities in the contract management process (e.g. Project or Category Manager and/or other Procurement Officers).

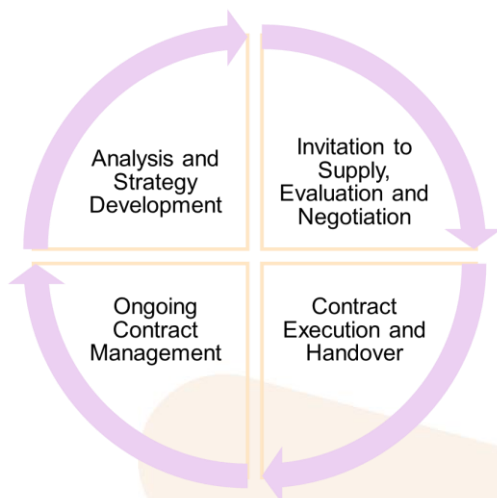
Contract management framework

Effective contract management is dependent on the following phases - see *Figure 1*.

- **Pre-contract:** Analysis, strategy development, invitation to supply and negotiation
- **Post-contract:** Contract execution and ongoing contract management.

Effective contract management spans both phases. The potential value-adding outcomes of post-contract management can be realised with effective pre-contract management that has resulted in a contract that addresses all stakeholders' needs and optimises the delivery of contract outcomes. A failure in pre-contract management will result in post-contract management time and effort being wasted on trying to resolve and correct omissions and failures of the earlier phase.

Figure 1: Contract management framework



Pre-contract activities

Analysis and strategy development

Refer to the Guide to Procurement Strategic Analysis for details of the process for creating a sourcing strategy for procurement including:

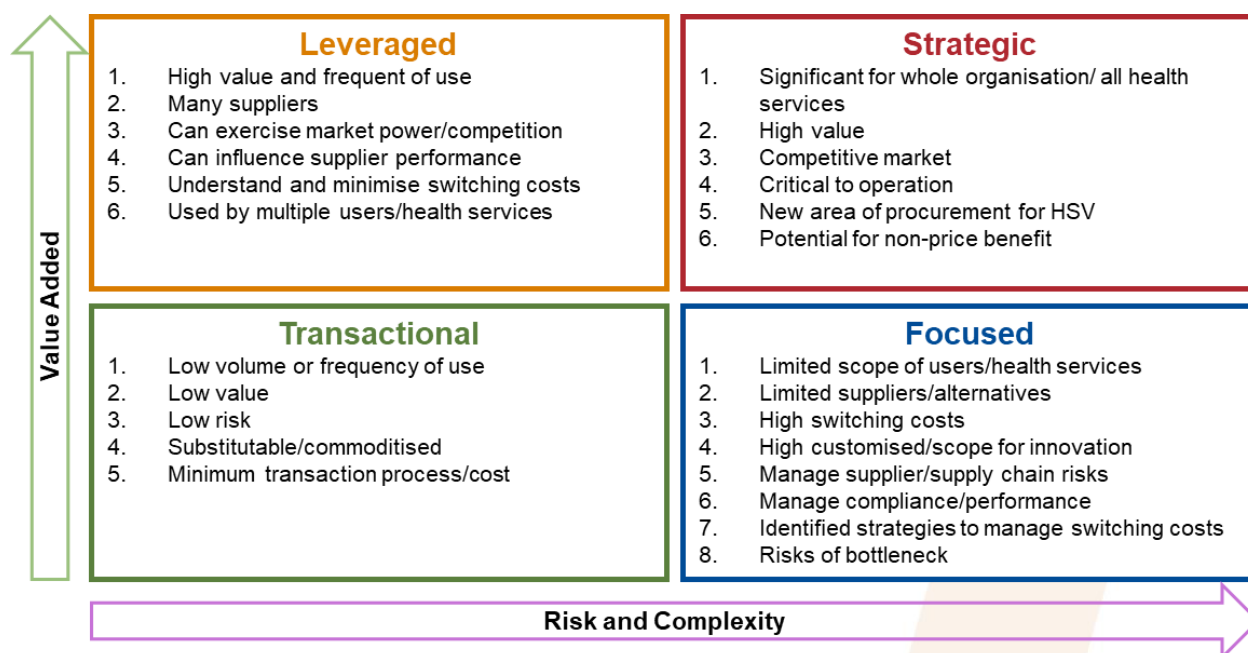
- Analysing the business requirements
- Market analysis and complexity assessment
- Delivery planning.

The objective for contract management in these phases is to identify the key success factors for the procurement and to translate these into meaningful contract terms and a contract management plan. The

approach to contract management should be specifically assessed for each contract, particularly if the contract is of high value, risk or complexity. Typical components of the contact management plan are:

- Supplier performance criteria, such as key performance indicators
- Stakeholder analysis and the potential need for roles and responsibilities of a contract management team
- Risk assessment and management plan
- The approach to contract monitoring: data collection and analysis
- Communication plan for stakeholders and contractor(s)
- Process for identifying and realising improvement opportunities.

Figure 2: Complexity assessment matrix



To balance effort against benefits, the contract management activities included in the plan and the level of resource committed to managing the contract(s) should be aligned to the quadrant of the Complexity Assessment Model (see *Figure 2*), as determined by the complexity assessment of the category or individual good or service.

Potential strategies are shown in the Guide to Developing a Contract Management Strategy which can be adapted when developing the contract management strategy for Health Services.

Existing contractors

Where a procurement process is conducted whilst the existing contractor(s) continues provision of services, it is important to ensure existing contractors are treated in the same way as any other potential respondents, to the extent possible. Any actual, or perceptions of, bias in the procurement process should be avoided by ensuring all potential suppliers are treated similarly with respect to:

- Briefings to the market
- The development invitation to supply documents including specifications
- The provision of any information regarding the process.

Ensuring probity in the treatment of existing contractors

To give effect to the principles of fairness and equity:

- Where an existing contractor has access to the health service's information systems, ensure there is no access to any material related to the procurement process by the use of a separate computer and other facilities to create and store relevant records and information.
- No tasks associated with the procurement should be undertaken by an existing provider.

Invitation to supply and negotiation

Refer to the Guide to Market Approach and Guide to Evaluation, Negotiation and Selection for details of the remaining pre-contract processes.

The objective for contract management in these phases is to:

- Understand how responses to the ITS meet the requirement of the procurement
- Evaluate any proposed departures from the contract terms
- Evaluate the potential benefits of any alternative offers
- Identify any potential opportunities for value adding through the life of the contract
- Develop a plan for negotiations with shortlisted respondents.

Contract management risks

A preliminary contract management risk assessment should be undertaken in the procurement planning phase, in line with the value and complexity of the contract. The critical decision for procurement practitioners is to determine whether the level of risk and complexity of the procurement impacts the scope of contract management tasks. Once contracts are executed (in the post-contract phase) the risk assessment should be reviewed and a management plan for treating remaining risks devised, and the contract management plan revised accordingly.

Risk management is a three-part process:

- Identifying risks associated to the contract
- Quantifying and analysing the likelihood and the potential impact of identified risks
- Developing strategies to avoid, limit, and/or mitigate the risks.

Identifying risks

Risk categories common to contract management include:

- Product/service risk
- Process risk
- Financial risk
- Schedule risk
- OH&S risk.

Sources of risk include:

- Contract management capability
- Supplier performance
- Changes in circumstances and/or requirements
- Stakeholder relationships.

Risk assessment

Factors that may be useful in identifying the level of risk include:

- The complexity and subject matter of the goods or services

- The scope and value of the goods or services
- The payment methodology
- The capability of those involved in the procurement and ongoing contract management
- The impact of the procurement on the health service
- The capability of the contractor(s) to deliver the goods/services and availability of alternative suppliers
- The type and availability of resources to implement the objectives of the procurement.

Risk assessment tool

HSV has developed a Risk Assessment Tool including a risk register, which is available from the HSV website.

Post contract activities

Contract execution

When executing the contract, ensure that it contains provisions that hold the contractor accountable for producing the desired results, including any negotiated variations to the draft terms and conditions and any commitments made by the contractor in their submission, or agreed in subsequent negotiations.

Managing the contract start-up

After a contract has been awarded, it is important that the Contract Manager, and affected stakeholders, understand the contract provisions and the contractual relationships. A detailed review of the contract at start up may identify issues that require clarification or elaboration with the contractor. This should be done as early as possible.

Where the contract requires a transition to a new contractor, it is important to minimise the risk of service failure during the transition. Depending on the complexity of the contract and goods or services, a transition plan may need to be developed to manage the transition.

Finalise the Contract Management Plan

Prior to commencement of the contract, the Contract Management Plan drafted in the planning phase should be completed with details specific to the contractor and any modifications arising from post -submission negotiations. A checklist describing the tasks to establish a new contract is provided in [Appendix 1](#).

Managing transition arrangements

Transition refers to the changeover from an existing contractor(s) to a new contractor(s), from one contractual arrangement to another or the continuation of an existing arrangement on a different basis. Transition may involve:

- Taking up options in the current contract to extend its life, based on an assessment of value for money
- Re-negotiating the contract with the current contractor
- Undertaking a new procurement process.

The foundations for managing the transition should be addressed in the initial contract, or in plans to manage the procurement. This may entail a transition-out plan for the existing contractor(s) and transition-in plan for the new contractor(s).

The time allowed for transition needs to be considered in procurement planning and will be dependent on:

- The type and risk/complexity of the procurement:
 - is it a contract for provision of goods or services?
 - how important is the service to core operations?
 - how many stakeholders are affected?
- Whether a new contractor is commencing or the current contractor is continuing
- The effort required by the new contractor to ready themselves to deliver the contract, e.g. acquiring of capital items, recruitment and training of staff etc.

Handover arrangements

The handover arrangements from the outgoing contractor to a new contractor must be well managed to avoid the significant risk of:

- A decrease in the level of service provided
- Relationships with both contractors becoming strained
- Both incoming and outgoing contractors incurring additional unforeseen costs and seeking to claim reimbursement from the organisation.

Transition-out

The transition-out strategy or plan, approved by the health service, should address the key matters and actions that need to be considered and undertaken as part of the handover of service delivery to a new contractor; including the transfer of records, information and/or equipment.

To facilitate handover, particularly for service contracts, the health service should take steps to maximise the transfer of information and knowledge to the new contractor. This can involve:

- Organising formal and informal discussions between the parties
- An agreed period of overlap where the new contractor works alongside the outgoing contractor, during which the new contractor can acquire as much information and knowledge about their responsibilities as practicable
- Providing access for the new contractor to procedural documents and processes prepared and used by the outgoing contractor
- Facilitating the transfer of custody and/or ownership of assets and contract materials to the new contractor
- Arranging discussions between the new contractor and stakeholders, particularly senior management and end- users, so they can obtain a first-hand view of requirements and expectations.

Contract handover

The organisation should be involved in any discussions between the previous and new contractors to ensure the information being given to the new contractor is correct and to inform the new contractor of its expectations.

Contract administration

Monitor and enforce the terms and conditions of the contract

Contract administration involves monitoring performance and ensures that both parties meet the commitments in the contract. This requires the commitment of both parties to achieving the objectives set out in the contract and establishing and maintaining trust and mutual support.

If this is a contract renewal, in addition to the above, other activities will include:

- Reviewing the supplier performance over the contract period

- Determining whether to entertain a contract renewal proposal from the existing contractor or to return to the market

Managing the contract performance

The purpose of monitoring the performance of a contractor is to:

- Ensure that the contractor is performing all duties in accordance with the contract
- To identify and address any problems or issues.

The level of monitoring required will depend, in part, on the value of the contract, the level of risk to the organisation and the complexity. The monitoring should be adjusted by the contract manager as necessary i.e. decreased where the contract manager is comfortable with the contractor's performance and the management of risks associated with the contract or increased where a contractor consistently underperforms or their capability is in doubt.

Managing changes and variations

Through the term of the contract, it may be necessary to make changes to the contract. These changes may be minor administrative changes, such as a change of address, or substantial changes that affect the price and delivery of the contract known as variations.

The Contract Manager should have an effective change management process. Failure to manage and control changes can result in an unintentional modification to the scope of the work, extension of the schedules, variations, increases in contract cost, change of management or other organisational or administrative changes. An effective process should include:

- Formal, written approval of changes, no matter how small, prior to the change taking place
- Approval by the appropriate delegates to the contract amendment or purchase order, whichever is applicable.

A variation to contract is a mutually agreed amendment to vary the obligations set out in a contract for goods and services. Variations arise for various reasons (e.g., changes in technology, resources, needs of the organisation, market conditions, etc.) and can be categorised as either administrative or financial as follows:

- **Administrative variations** are changes that do not affect the financial details of the contract, e.g. changes to the billing process, delivery address, personnel assigned to the contract, sequencing of work, performance management and monitoring processes, etc.
- **Financial variations** are changes to the price/cost, quantity, nature of the deliverables and terms of the contract (which increases the value).

Variations to the contract should be managed and justified in accordance with the terms and conditions of the contract.

Contract variations

If the scope of work has changed during the contract (or by variation), insist that the status report should track against the initial schedule, not a revised contract as there is risk that the schedule will continually change and the status report will be meaningless.

Contract reporting

Reporting may include reports by:

- The Contract Manager to management, contract management team and stakeholders
- The Contractor to the Contract Manager or members of the contract management team or other stakeholders.

Types of reports will vary depending on the type of contract but may include:

- **Contract activity:** contract sales and other data related to deliverables under the contract provided by the contractor
- **KPI reports:** information on the contractor's performance against the contract KPI's and reasons for variations
- **Status reports:** focuses on the progress of the work against milestones, deliverables and/or products, describing work completed and pending, aligned to the contract schedule. Any issues to be resolved should also be included.

Contract payments

Payments to the contractor should be in accordance with the contract prices or rates and the payment schedule.

- The goods or services the contractor is billing for have been received and accepted
- The invoice is correct and complies with the terms and conditions of the contract, including any discounts due
- It has not previously been paid
- It meets ATO requirements for a 'Tax Invoice' and the amounts are inclusive of GST
- It is in the name and ABN number of the payee.

Prior to payment the invoice should be approved by the appropriate delegate and recorded against the appropriate financial chart of accounts code.

The Contract Manager may withhold payments from contractors if:

- There is a breach of the contract
- There are errors in the invoice
- The invoice is unsupported by contractually required documentation
- The contractor's performance is unacceptable

If the Contract Manager believes that the requested payment exceeds the amounts due under the contract terms, an explanation should be requested from the contractor prior to the payment being made.

Dispute resolution

Dispute resolution is core to contract management success. Contract termination is a failure by both parties and should be the last resort and rarely necessary.

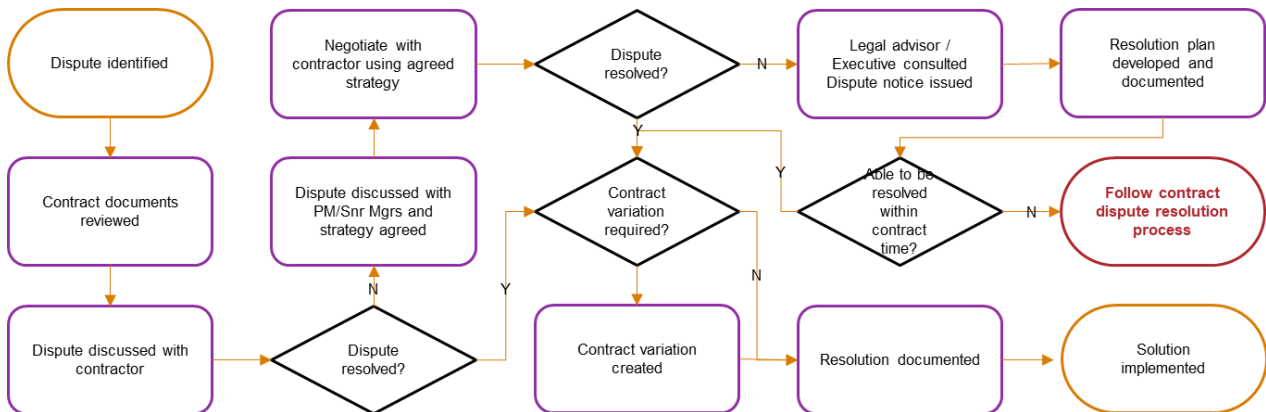
Managing contract disputes

The goal of any dispute resolution process is to resolve a problem before it is escalated. To do this the following steps are recommended:

- Respond in a timely manner to all the contractor's enquiries
- Attempt to identify potential problems early in the performance period
- In the event of a dispute, obtain all information regarding the issue from all relevant sources, including the project manager and the contractor
- Review all the facts against the requirements, specifications and terms and conditions of the contract
- Determine the appropriate course of action, ensuring that executive and legal counsel is appropriately consulted where necessary
- Effectively communicate and formalise the outcome in writing.

A list of important steps to resolve disputes is shown in *Figure 3*. Dispute resolution steps (overleaf).

Figure 3: Dispute resolution steps



Forms of dispute resolution can include the following:

Negotiation

Negotiating with the health service and the Supplier is the most common approach to resolving disagreements and disputes. The intention of the negotiation is to reach a mutually acceptable solution, where both sides consider they have gained the best possible result in the circumstances. It is important that one party does not consider they have been unduly pressured to agree to a particular solution as a result of the negotiation as this can lead to an escalation or reappearance of the dispute at a later stage.

Mediation

Mediation involves the use of a neutral third party to assist in resolving the dispute. The mediator does not impose a decision on the parties in the way a court or arbitrator does, but instead seeks to help the parties resolve dispute themselves. Mediation is usually regarded as a faster, less formal and less costly process than court proceedings or arbitration.

Arbitration

The aim of arbitration is to obtain a final and enforceable result without the costs, delays and the formalities of litigation. Arbitration proceedings are private, can be held at a mutually convenient time and the actual proceedings are less complex than litigation.

Litigation

Litigation is the act or process of contesting a lawsuit or seeking redress through the courts. It can be an expensive and time consuming procedure and is generally taken when other avenues of dispute resolution have not been successful or are not available. Other approach to resolving disputes or Supplier defaults should therefore be considered prior to litigation.

Refer to the *Guide on Complaints Management*.

Contract completion

- The purpose of the contract completion process is to verify that both parties to the contract have fulfilled their contractual obligations and there are no responsibilities remaining. It includes:
- Assessing the success of the contract and record any lessons learnt for future contracting
- Ensuring all requirements of the contract have been delivered and actual performance against performance measures has been recorded
- Finalising all payments

- Ensuring that all relevant documents or materials are returned by the contractor and intellectual property is stored
- Preparing a communication plan to advise the arrangements for contract completion, and any new contract, to all stakeholders.

Also refer to *Managing transition arrangements above*.

Evaluation of contract performance

Undertaking a contract evaluation once a contract has been completed is good practice, particularly for complex contracts. The purpose of evaluation is to identify weaknesses and strengths in the process and lessons that could be applied to other contracts and contract management activities. It should include:

- Reviewing all aspects of contractor performance management
- Evaluating the outputs and outcomes of the contracted activity
- Assessing effectiveness of the contract through feedback from stakeholders
- Identifying reasons for problems arising and appropriateness of remedial action
- Reporting on lessons learnt to improve future performance.

Contract record keeping

Throughout the life of the contract, appropriate records should be maintained in secure location only available to staff involved in the contract management process including:

- A copy of the current contract and any variations
- A copy of all appendices including specifications, tables, etc. referred to in the contract
- The market approach documentation: including ITS, the responses, the evaluation records and reports, and the notice of the award
- The contractor's response and originals of any statement of work submitted by the contractor
- A list of all information that has been provided to the contractor
- A copy of meeting summaries
- Internal and external correspondence pertaining to the contract
- Copy of reports, approvals and pricing schedules
- Where necessary, copies of invoices and progress payments

Public Record Office Victoria (PROV)

For more information regarding your legislative requirements pertaining to public records, refer to the Public Record Office Victoria website at www.prov.gov.au.

More information

Related documents and templates are available on the HSV website.

Disclaimer

The information presented in this document is general in nature and based on HealthShare Victoria's interpretation of the *Health Services Act 1988 (Vic)* and any ancillary legislation and regulations in effect at the time and should not be relied upon as legal advice. Please consider seeking professional and independent advice from your legal representative as to the applicability and suitability of this information and the legislation to your own business needs or circumstances.

Appendix 1: Contract management responsibilities

Table 1: Contract management responsibilities

| Procurement Phase | Primary responsibilities | Details |
|--|--|--|
| Planning (Pre-contract) | Participate where necessary in the development of ITS/contract documents (internal/external) | <ul style="list-style-type: none"> Determine the sequence of activities, dependencies, required or desired outcomes and performance levels Define terms and conditions of default |
| | Ensuring that people with responsibility for contract management activities are capable | <ul style="list-style-type: none"> Assign responsibilities for contract management activities Align CM responsibilities to capabilities of staff involved, identify gaps and resolve by obtaining necessary expertise |
| | Establish a Contract Management Plan where necessary | <ul style="list-style-type: none"> Establish procedures, assign responsibilities and establish a timeline for contract decisions and modifications Establish scope of authority, clear lines of communication and reporting and arrangements for contractor liaison Develop a timetable with start and end dates for each performance component, including milestones with timeframes and monitoring and reporting requirements Establishing control of correspondence, data and reports |
| | Negotiate contract terms and execute contract | <ul style="list-style-type: none"> Develop negotiation plan for establishing final contract terms with shortlisted respondents Negotiate any variation to contract terms with successful respondents Ensure all relevant details are included in contract and contract is executed in line with delegated authority |
| Transition and ongoing management (Post-contract) | Ensure smooth transition to new contract | <ul style="list-style-type: none"> Arrange for transfer of relevant contract terms and pricing to Contract Manager and other stakeholders Ensure transition arrangements and any clarifications required are communicated to all parties Monitor implementation of transition plan and resolve issues as they arise |
| | Monitoring the contractor's progress and manage their performance, to ensure goods and services conform to contract requirements | <ul style="list-style-type: none"> Review process regularly, determine the continuation of staged products Monitor contract activities to identify problem areas and solutions and provide timely performance reports Provide equipment and data where necessary Ensure insurance terms and conditions Evaluate or conduct post contract reviews and take remedial action |
| | Having a detailed knowledge of the contract requirements and other relevant issues | <ul style="list-style-type: none"> Service Level Agreements (SLAs) Key Performance Indicators (KPIs) |

| Procurement Phase | Primary responsibilities | Details |
|-------------------|---|--|
| | Manage any variations to the contract in line with the contract terms | <ul style="list-style-type: none"> • Provide advice to contractors about organisation developments if these effect the product/service • Facilitate and manage contract variations and change procedures |
| | Resolving disputes in a timely manner | <ul style="list-style-type: none"> • Establish issue reporting, resolution process in resolving issues (liaison between all parties) |
| | Authorising and/or monitoring payments consistent with the contract terms | <ul style="list-style-type: none"> • Validate invoices against contract terms • Review contract activity data to ensure conformance with contract |
| | Maintaining appropriate records | <ul style="list-style-type: none"> • Establish record keeping processes in line with contract requirements and maintained/archived according to PROV |

Appendix 2: Contract management plan schedule

Table 2: Contract management plan schedule

| Task | Milestones | Responsibility | Action | Comments |
|--|------------|----------------|--------|----------|
| Prepare for Handover <ul style="list-style-type: none"> Establish Contract Management Structure Establish Service Level Compliance Measures Finalise Human Resources Finalise Billing Procedures Transfer/Dispose of Assets Prepare Expiry/Termination Plans and Procedures | | | | |
| Transition to Service Provider <ul style="list-style-type: none"> Collect relevant contract data and information ready for the handover Execute Transition and Monitor Progress Prepare Notification of handover Conduct Independent Review | | | | |
| Liaise with User Groups <ul style="list-style-type: none"> Survey User Requirements and Satisfaction Review changes to Strategy and Plans Identify Additional/Redundant Requirements Confirm Value of Service Prepare Business Status Report | | | | |
| Manage Service Levels <ul style="list-style-type: none"> Modify Service Levels Modify Costs Negotiate Changes Update Service Level Agreements Update Fee Schedule Conduct Annual Benchmark Review Prepare Annual Budget Projects | | | | |
| Monitor performance <ul style="list-style-type: none"> Confirm Service Levels Assess Performance Conduct Quality Assurance Review Prepare Performance Report | | | | |
| Administer contract <ul style="list-style-type: none"> Administer Variations Pay Contract Fees Resolve Disputes Conduct Regular Review Meetings | | | | |
| Evaluation options and extension for contract <ul style="list-style-type: none"> Evaluate Contract Satisfaction | | | | |

| Task | Milestones | Responsibility | Action | Comments |
|--|------------|----------------|--------|----------|
| <ul style="list-style-type: none"> Identify Options Benchmark Options Review Contract Termination Conditions Cost Options Evaluate Benefits and Risks Develop Future Outsourcing recommendations | | | | |
| <p>Retain existing Service Provider</p> <ul style="list-style-type: none"> Review Existing Strategies and Plans Prepare Contract Re-Negotiation Plan Obtain Price Quotation Negotiate Contract Transition to New Contract <p>OR</p> | | | | |
| <p>Retender</p> <ul style="list-style-type: none"> Commence tender process | | | | |
| <p>Select replacement Service Provider</p> <ul style="list-style-type: none"> Prepare Request for Proposal Strategy Prepare Request for Proposal Document Prepare Request for Proposal Conduct Service Provider Evaluation Select Preferred Service Provider(s) Develop Implementation Plan Negotiate Contract Prepare for Handover Transition to Replacement Service Provider | | | | |
| <p>Migrate to in-house services</p> <ul style="list-style-type: none"> Review Existing Strategies and Plans Consider Organisation Requirements Identify Infrastructure Requirements Define In-House Option Develop Implementation Plan Transition to in-House Service Provision | | | | |

Appendix 3: New contract check list

Table 3: New contract checklist

| Contract management initial tasks | Date completed | Details (e.g. ref number or document name) |
|--|----------------|--|
| <p>Pre-contract</p> <ul style="list-style-type: none"> • Create a Contract Management Register record • Review funding to ensure sufficient funding is available • Develop contract terms and conditions • Define key milestones and deliverables • Define contract pricing model • Define contract term / final completion date • Define price variation provisions • Define quality aspects • Define reporting requirements • Define performance monitoring framework / KPIs • Develop a contract management plan • Establish contract management team • Define tasks and responsibilities of the contract/supplier and the contract manager/management team | | |
| <p>Post-contract</p> <ul style="list-style-type: none"> • Establish contract files e.g. payment records, reporting, issues register • Read contract and confirm understanding of scope and obligations • Obtain detailed work plan • Brief all Stakeholders and others involved with the contract of their responsibilities and the applicable policies, procedures and systems • Meet with contractor's staff for initial discussion of expectations and planning, reporting, payment and monitoring arrangements etc. • Provide documentation required to begin the work to contractor/supplier • Organise security arrangements e.g. guarantees, retention amounts • Obtain bank guarantees from the contractor/supplier if required • Obtain evidence of any licences, permits required Organise • Insurance arrangements e.g. obtain certificates Prepare any site facilities e.g., phone, access, power, computers • Ensure receipt of any contractor provided equipment: e.g. computers, software, tools, information records, other material • Grant access to your site to the contractor/supplier • Schedule times for the contractor/supplier's performance review • Plan for the evaluation of contractor/supplier performance • Agree on liaison arrangements with the contractor in accordance with the contract • Agree on reporting and feedback mechanisms with the contractor, if not covered in the contract • Advise finance of the supplier's Electronic Funds Transfer (EFT) details if payments are made by EFT • Transfer to the contractor any organisational data and materials nominated in the contract • Implement other contract management activities indicated in the contract management plan | | |

Appendix 4: Contract Management Plan (Simple)

Table 4: Contract Management Plan (Simple)

| Contract | Details |
|---|---|
| Contract Recordkeeping | File Number |
| Approval and review of this plan | Financial Delegate that approved this plan <ul style="list-style-type: none"> • Date of approval • Arrangements for reviewing and updating this plan |
| Contractor | <ul style="list-style-type: none"> • Name • ABN • Address • Contractor Representative • Position • Telephone • Facsimile • Email • SME: Yes/No. |
| Contact Details | <i>Specification or scope of work</i> |
| General Conditions of Contract | <i>Identify the standard form contract (including version number if applicable) used (department specific or whole-of-government, such as IT model contracts)</i> |
| Contract Start Date | <i>Date</i> |
| Contract End Date | <i>Date</i> |
| Contract Variations | <i>List contract variations and requirements that need to be met to implement a variation. This should be consistent with the provisions in the contract</i> |
| Contract Extension Options | <p><i>Detail process for managing and accessing possible contract extension options.</i></p> <p><i>Note: Possible contract extensions should be examined at least six months before the contract end date to give the health service time to go out to market if required</i></p> |
| Contract Manager | <i>Name</i> |
| Contract Sponsor | <i>Note: the Contract Sponsor should have sufficient delegations to approve contract invoices for payment and any variations to the contract</i> |
| Confidentiality Requirements | <i>Record details of any confidentiality requirements, including the need for confidentiality undertakings by the contractor and/or individual contractor staff</i> |
| Conflict of Interest | <i>Record details of requirement to submit conflict of interest declarations</i> |
| Payment Schedule / Total Contract Value / Payment Arrangements | <i>Detail how often payments are to be made (e.g. on completion of deliverables, at milestones or monthly)</i> |
| Insurance | <i>Record details of currency and adequacy of insurance certificates and procedures for obtaining evidence from the contractor of future currency</i> |
| Invoice Verification | <i>Advise operational process of confirmation and payment</i> |

| Contract | Details |
|--|---|
| Incentive or Penalty Payments | <i>List any incentive or penalty payments that have been applied</i> |
| Milestones | <i>List all milestones and key dates</i> |
| Performance Measures | <i>List performance measures and methods of data collection and analysis</i> |
| Reporting Requirements | <i>Format of reporting and frequency</i> |
| Communication Protocols | <i>How regularly will the HSV and contractor communicate and format of communication</i> |
| Risk Assessment and Review | <i>What is the Risk Assessment at the beginning of the contract?</i> <i>Regularly review the contract to determine if the risk status has changed in any significant way</i> |
| Contractor Performance Assessment | <i>Detail the process to be followed to review contractor performance including the process and resources required (in-house or external)</i> |
| Lessons Learned | <i>Detail how lessons learned will be identified and recorded?</i> |

Appendix 5: Contract Management Plan (Complex)

Part 1: Analysis

Contract summary

Documents

List key purchasing documents available.

History

Summarise how and why this contract was developed and describe any options considered.

Objectives

Detail objectives of the contract.

Key deliverables

List key deliverables.

Contacts

People

List key parties and indicate their roles.

Map of relationships

Detail the reporting and functional links between key players.

Part 2: Preparation

Communication

Strategies

Identify key methods to be used for liaison, reporting, signalling problems, partnering relationship, e.g.:

- *Contract review meetings*
- *Internal review meetings*

Performance evaluation

Strategies

Describe methods to be used to measure performance (outputs) and outcomes (including user satisfaction).

Contingencies

Strategies

Describe proposed approach to deal with adverse developments or under performance.

Disputes

In the absence of a dispute resolution process clearly detailed in the contract, the following should be considered:

If a dispute arises between parties then the parties agree to undertake the following steps:

- *The complainant shall raise the matter with other party setting out the background and the issues in the disputes, and the outcome desired*
- *If the dispute is not resolved ...*

Variations

Variation considerations

Non-compliance

Non-compliance considerations

Under performance

Under performance considerations

Risk management

Strategies

Relate to earlier Risk Management Plan developed as part of the Strategic Plan for procurement.

List procedures to be implemented to reduce risks.

Part 3: Implementation

Transition

Transition-in

List main expected impact of the contracted service on stakeholders.

Note key transition tasks to be addressed including list of key documents required.

Action plan

Enter key milestones (events) in managing the contract.

Contract register

If you are maintaining a contract register, ensure that you enter all details as necessary required by the system.

Transition-out

List key documents that you need to collect from the contractor or any other intellectual property.

Part 4: Completion

Review of the contract

Describe methods to be used to evaluate the contract, e.g. outline regular reviews (quarterly, annually).

Detail how they will be conducted, including what data needs to be collected and by whom.

Consider third party review of contractor feedback, and overall performance assessment.

Closure of rollover

Summarise the outputs and outcomes expected from a successful rollover or re-tender result.

Describe the process and timetable to be adopted.

Closure also affects how warranty and ongoing obligations e.g. training support, relate back to 'Transition-Out'.

Part 5: Core files

The following is a suggested list of contract files to be held for and the key document to be found in each file:

- **Tender Evaluation Team:**
 - Tender history
 - RFT
 - Notice of meetings
 - Probity plan
 - Users contacted
 - Tender briefing meeting
 - Lodgement of tender
 - Conflict of interest declarations
 - Evaluation summary
 - Minutes of meeting
 - Unsuccessful notification
 - Shortlisted tenderer information
 - Successful notification
 - Post-tender negotiation
 - Recommendation
- **Unsuccessful Tenderers:**
 - Non-shortlisted tenderers
 - Unsuccessful letters
 - Shortlisted tenderers
 - Meeting/interview documentation
- **Transition arrangements:**
- **Contract management:**
 - RFT – successful tenderer(s)
 - Agreement/contract
 - Insurance details
 - Guidelines
 - Licences
 - Performance measures and targets
 - Contractor meetings
 - Regular
 - High-level
 - Client meetings/feedback
 - Sub file
 - Price variations/changes
 - GST impact
- **Renewal/re-tender strategy:**
- **Special issues:**
 - Government initiated variations
 - Contractor initiated variations
 - Breach of contract

Part 6: Asset management/disposal strategy

Relevant references

- Directions of the Minister under the Financial Management Act 1994
- Health Services Act 1988
- HSV Purchasing Policies
- Department of Treasury and Finance
- Government's Supply Policies and Guidelines (Disposal of Public Property)

Contract administration issues

- Asset treatment (classification, depreciation etc.)
- Control mechanisms (security, responsibilities etc.)
- Maintenance/warranty arrangements
- Review and reporting requirements
- Financial (accrual accounting) management requirements

End of life arrangements

- Transfer of ownership
- Disposal options
- Financial arrangements (valuation versus residual, write-offs etc.)
- Necessary approvals
- Accounting system adjustments