



LACHLAN SHIRE COUNCIL

CONTRACT MANAGEMENT POLICY

Contract Management Policy						Page 1 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au						
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568

Table of Contents

1.	Background	3
2.	Scope	3
3.	Objective	3
4.	Definitions	4
5.	Policy in brief.....	5
6.	Policy in detail	5
6.1	Stages in the Contract Management Life Cycle	5
6.2	Mandatory requirements for contracts.....	5
6.3	Contract Variations	6
6.4	Ethics and Probity	6
6.5	Contracts Register	6
7.	Performance assessment and reporting.....	6
7.1	Performance assessment criteria	6
7.2	Contractor Reports	6
7.3	Inspections	7
7.4	Performance Review Meetings with the Contractor	7
7.5	Unsatisfactory Performance	7
7.6	Council Responsibilities.....	8
7.7	Termination for Failure to Achieve Performance Standards	8
7.8	Contractor Performance Evaluation Report	8
8.	Risk Management	8
9.	Roles and responsibilities.....	9
9.1	Staff.....	9
9.2	Contract Manager	9
9.3	General Manager and Delegates	9
10.	Further information	9
11.	Related Documents.....	10
12.	Right to vary/terminate	10

Contract Management Policy						Page 2 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au						
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568

1. BACKGROUND

Lachlan Shire Council (Council) is committed to effective management of all contracts and resources to ensure value for money, risk minimisation, and legislative compliance.

2. SCOPE

This policy applies to all Council staff and contractors involved in managing and administering contracts on behalf of Council, for the procurement of goods and services.

This policy commences in the post-contract-award stage of the procurement process, and applies until all contractual obligations have been completed. Refer to Council’s Procurement and Local Preference Purchasing Policies for the pre-contract-award stage.

This Policy relates to all contracts and any other documents that create legally binding obligations on the Council for the procurement of goods and services. The policy equally applies to procurements which are of significant value as well as procurements which are simple in nature and low risk.

The following are excluded from this Policy:

- Employment contracts
- Non-binding Memoranda of Understanding
- Partnering and collaborative contracts with other Local or State organisations; and
- In most cases, community organisations, however this is dependent on the nature of the engagement.

This policy is to be applied in conjunction with applicable legislative requirements, and works in conjunction with relevant Council policies including, but no limited to, the Procurement Policy, Local Preference Policy, Assets Disposal Policy, Code of Conduct policies, Conflict of Interest Policy, Fraud and Corruption Control Policy, Statement of Business Ethics, and the Gifts and Benefits Policy.

3. OBJECTIVE

The purpose of this policy is to provide a clear and standardised approach to managing and administering contracts for goods and services.

The effective management of contracts is essential to maximise benefits and achieve corporate objectives. These benefits can be summarised as follows:

Business Benefits

- Maximises outcomes to the Council and the community by managing supplier performance, maintaining quality, improving productivity and identifying opportunities for improvement and innovation.

Contract Management Policy							Page 3 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au							
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:	
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568	

Value for Money

- Enables savings and for opportunities to be identified during the procurement or contract management process to be realised, whilst also ensuring the achievement of expected procurement outcomes.
- Enables further benefits through ongoing performance reviews, service improvements, supply chain improvements, innovation, etc.

Risk Management

- Reduces contractual risks through robust contract management practices.
- Ensures the Council is also aware of, and complies with, its own contractual and legislated obligations.

This policy aims to ensure:

1. contracts are managed in a manner that facilitates business delivery while minimising risk, and maximises financial and operational performance
2. a standard approach and framework is adopted to managing contracts
3. consistency in Council's procurement activities
4. staff are adequately skilled and trained, and understand their roles and responsibilities under a contract
5. adherence to the principles of probity
6. compliance with legislative and administrative arrangements.

4. DEFINITIONS

Contract	Means any contract, agreement or lease entered into by Council with a third party.
Contractor	The supplier or the service provider (the other party) under a contract.
Contract Manager	The Council staff member or consultant nominated to be responsible for the management and administration of the contract.
Contracts Register	Council's register maintained for all procurements valued at \$150,000 or more.
Contract Variation	Is an addition or alteration to the original contract and may relate to a change to the scope of the contract, the value of the contract, the contract options to be exercised, contract prices or quantity purchased. Contract variations must not exceed the approved budget.
Value of a Contract	The value of a contract is the total estimated value of the goods or services over the term of the contract. For example: <ul style="list-style-type: none">• The total estimated value of the goods or services over the term of the contract, or

Contract Management Policy							Page 4 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au							
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:	
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568	

- The value of the real property transferred, or rent for the term of the lease.

5. POLICY IN BRIEF

Effective contract management facilitates timely and efficient delivery of goods and services in accordance with contract terms.

The management of a contract may extend beyond the term of a contract when there are ongoing obligations associated with maintenance agreements, warranties and guarantees.

6. POLICY IN DETAIL

6.1 Stages in the Contract Management Life Cycle

Contract Commencement (Stage 1) – starts before a contract is signed

Successful contract management is highly influenced by activities performed prior to contract award. Ensuring that contract terms, conditions, scope and deliverables, Key Performance Indicator reporting and relationship management are clearly established in the signed Contract and understood by all parties, is fundamental for effective contract management.

Contract Management (Stage 2) – runs until formal closure

Properly managing supplier performance with respect to outcomes and deliverables clearly specified and agreed in the contract will help ensure Council and the community obtain the expected benefits and value for money within the target timeframes.

Contract Closure (Stage 3) – the formal conclusion

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

6.2 Mandatory requirements for contracts

The following minimum requirements apply to all Council contracts valued at \$10,000 (including GST) or more:

- staff must adhere to Council’s procurement policies, procedures and processes
- contracts must be registered and identified with a contract number in Council’s electronic management system ()
- contracts valued at over \$150,000 (including GST) must be included in Council’s Contract Register
- a contract manager must be nominated/appointed, and **may** manage a contract valued at more than their level of financial delegation. **However, the contract manager must not approve or incur expenditure or contract variations valued at more than their level of financial delegation**

Contract Management Policy							Page 5 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au							
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:	
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568	

- contract performance is to be monitored and evaluated over the term of the contract and on completion. Any unsatisfactory performance is to be documented and recorded in Council’s electronic records management system (), and reported to the senior manager/Director
- relevant approvals and licences required must be considered prior to commencement.

6.3 Contract Variations

All contract variations require approval in writing in accordance with the contract documentation, by the General Manager or appropriate delegate, subject to available budget.

If proposed contract variation(s) will exceed the allocated contract budget, formal approval is required for budget variation.

If the contract variation is related to capital expenditure then the reasons for the contract variation and the impact of the variation on the budget/scope/timeframe of the project must be reported to Council through the relevant monthly update report.

6.4 Ethics and Probity

Contract management must be conducted with a high level of ethics and probity, responsible decision-making, compliance with legislative requirements, and in accordance with relevant Council policies including, but not limited to, the Code of Conduct policies, Procurement Policy, Conflict of Interest Policy and Declaration, Gifts and Benefits Policy, Statement of Business Ethics, and the Fraud and Corruption Control Policy.

6.5 Contracts Register

In accordance with the Government Information (Public Access) Act 2009 (GIPA Act) Council will maintain and publish on its website a register of Council contracts with a total value of \$150,000 (including GST) or more.

7. PERFORMANCE ASSESSMENT AND REPORTING

7.1 Performance assessment criteria

Performance assessment criteria must be included in contract documents, as relevant to the contract, for example, but not limited to, quality, timeliness, contractor progress reports, inspections, performance review meetings, customer complaints and surveys.

7.2 Contractor Reports

Contractor reports are the method by which a contractor certifies that the good and services comply with the specification. The type and frequency of contractor reports, if required, are to be described in the contract specification.

The contract manager is to ensure that the contractor submits the reports on time and must review reports carefully. The contract manager must discuss matters of serious concern with the relevant senior staff and/or the General Manager.

Contract Management Policy						Page 6 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au						
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568

7.3 Inspections

The contract manager must conduct inspections/checks to compare actual performance to the contract specifications. If required, an inspection regime is to be detailed in the contract specification, including:

- who will inspect
- when inspections will incur (including a post-completion inspection)
- what will be inspected

7.4 Performance Review Meetings with the Contractor

Performance review meetings provide a forum to discuss and assess the contractor's performance. Generally, a performance review meeting shall be based on the most recent contractor report (refer clause 6.2).

If required, the type and frequency of performance review meetings shall be clearly described in the specification or held at a frequency determined by the Project Manager or Contract Manager.

The conduct of performance review meetings shall be the responsibility of the Contract Manager. The contract should authorise the Contract Manager to nominate the time, date and place of performance review meetings. The contract should require the contractor or an appropriate representative and any other person nominated by the Contract Manager to attend performance review meetings.

7.5 Unsatisfactory Performance

When contractor performance does not meet the contract requirements, the contract manager must contact the contractor and define the problem, specify the unsatisfactory performance in terms of a comparison with the requirements of the contract, and specify the implications of the problem. This may require the contractor to raise a *Non-Conformance Report (NCR) or similar written document* which should include details of an acceptable disposition for the defect or unsatisfactory work. Whether the unsatisfactory performance is the result of a systemic or procedural cause the contract manager may issue a *Corrective Action Request (CAR) or similar written document*, requiring process improvement.

If the contract manager considers that the problem can be rectified without resorting to formal breach of contract procedures, the contract manager and contractor must identify the cause of the problem and decide upon corrective action.

If required, the senior staff manager/Director shall participate in the meeting.

The contractor shall implement the corrective action as agreed/determined, and the contract manager must monitor and assess the outcome to ensure that the unsatisfactory performance is rectified for the term of the contract.

The contract manager must ensure that any informal problem resolution process does not prejudice Council's rights under the contract with respect to any breach of the contract.

Contract Management Policy							Page 7 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au							
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:	
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568	

The contract manager must document the discussions with the contractor in relation to unsatisfactory performance. Records of these discussions, and any agreements must be in writing, and must be registered in Council's electronic document management system.

7.6 Council Responsibilities

If Council is to be able to enforce the contract, it must ensure that Council itself complies with the contract. The contract manager should ensure that Council complies with all contract timelines, gives all required notices and otherwise meets its obligations under the contract. Even if the contract manager employs informal processes to address particular problems, the formal requirements of the contract should still be followed.

7.7 Termination for Failure to Achieve Performance Standards

Any formal process for termination of the contract must be conducted strictly in accordance with the requirements of the contract. Generally, this will require a "show cause" notice to first be issued to the contractor. Legal advice should be obtained before such a process is instigated after consultation with the relevant Director and the General Manager.

If a contractor has breached a contract with Council, then (whether or not the contract has been terminated), Council may consider the breach in considering subsequent tenders from the contractor.

7.8 Contractor Performance Evaluation Report

A performance evaluation report on the contractor's compliance with its obligations under the contract may be completed at the end of the contract by the contract manager and senior staff manager/Director. The report may be used as an "internal" document to monitor and improve any future contract performance.

8. RISK MANAGEMENT

Effective management of risks is an inherent aspect of contract management. Risks may include:

- failure (of either party) to comply with the conditions of contract
- inadequate monitoring and supervision
- unauthorised changes to the contract, including unapproved variations or extensions
- loss of intellectual property and breach of confidential information
- changes in scope, personnel and/or technology
- fraud and unethical behaviour, including failure to disclose conflicts of interest
- lack of properly maintained documentation
- cyber security risks
- breaches of contract

Contract management requirements increase as the value, risk and complexity of a contract increases.

The contract manager is responsible for managing risks. Where issues (or potential issues) arise in relation to matters such as insurance, Work Health and Safety, cyber security, legal or governance,

Contract Management Policy							Page 8 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au							
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:	
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568	

the contract manager must advise the senior staff manager/Director/General Manager and, with approval, seek appropriate professional advice at an early stage.

It is critical that Council itself complies with the contract (7.6 Council Responsibilities). Otherwise, Council may not be able to enforce the contract against the contractor.

9. ROLES AND RESPONSIBILITIES

9.1 Staff

Staff involved in contract administration and/or contract management must ensure consistent review and oversight of a contract over the term of a contract, operate in accordance with Council's financial delegations and relevant policies including Code of Conduct policies, applicable legislative requirements, and in a manner that is appropriate for the complexity and risk of the procurement activity.

9.2 Contract Manager

A contract manager is to be designated for the term of a contract, as applicable, with responsibilities including:

- to manage a contract in accordance with contract terms, delegations, relevant legislation and Council policies, procedures and processes
- day-to-day management of assigned contract(s)
- reporting and performance review of contract deliverables/obligations
- manage and address risks to ensure effective contract delivery
- receipt and analysis of customer complaints, address issues and ensure responses provided
- ensure electronic management system () records are maintained, including contract details, any approved variations, performance review and reporting
- a designated contract manager is essential for contracts with a value over \$150,000 (including GST)

9.3 General Manager and Delegates

The General Manager and appropriate delegates are responsible to ensure:

- appointment of a contract manager
- information is provided to allow maintenance of the current Contracts Register on Council's website, in accordance with legislative requirements
- training of staff involved in contracts management and administration.

10. FURTHER INFORMATION

Further information about this policy can be obtained by:

- contacting the Governance and Risk Officer
- contacting your relevant Director or the General Manager.

Contract Management Policy						Page 9 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au						
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568

11. RELATED DOCUMENTS

Related Lachlan Shire Council policies and documents include, but are not limited to:

- Code of Conduct for Council Staff
- Code of Conduct for Councillors
- Procurement Policy
- Asset Disposal Policy
- Local Preference Policy
- Gifts, Benefits and Bribes Policy
- Conflict of Interest Policy and Declaration
- Statement of Business Ethics
- Risk Management Policy
- Fraud and Corruption Control Policy
- Work Health and Safety Policy and Procedures
- Council Delegations

Related Legislation includes:

- Public Interest Disclosure Act 2022
- Local Government Act (NSW) 1993
- Local Government (General) Regulation (NSW) 2021
- Government Information (Public Access) Act 2009 (GIPA Act)
- Local Government Code of Accounting Practice and Financial Reporting (Guidelines)
- Local Government Cyber Security Guidelines
- Modern Slavery Act 2018

12. RIGHT TO VARY/TERMINATE

Council reserves the right to vary or terminate this policy at any time.

Nothing in this policy limits any applicable legislation.

Greg Tory

GENERAL MANAGER

Contract Management Policy							Page 10 of 10
Further Information: Lachlan Shire Council ☎ 02 6895 1900 ✉ Email: council@lachlan.nsw.gov.au							
Version:	Adopted:	Resolution:	Commencement Date:	Last Review Date:	Next Review Date:	Content Manager Ref:	
1	16/10/2024	2024/249	October 2024	N/A	October 2028	D24/10568	