



# Contract Management Framework

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## 1. Purpose

The Department for Child Protection (DCP) Contract Management Framework (CMF) provides a clear and standardised approach to managing and administering contracts for goods and services purchased from suppliers, in line with the DCP [Procurement Governance Framework](#) and supporting governing documents. The framework identifies contract management requirements for all DCP contracts including the specific requirements associated with contracts directly relating to children and young people. **These specific requirements are shaded throughout this document in order to highlight them.**

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

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

The framework describes the required responsibilities associated with the 4 steps involved in the contract management lifecycle. Within each step, there are a number of key requirements and activities to be performed. These requirements and activities will be either mandatory or optional, depending on how the contract complexity is classified based on the complexity assessment undertaken.

Effective contract management:

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

## 2. Scope

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

**Contracts relating directly to children and young people are managed by the Service Contracts and Licensing (SC&L) unit. All other contracts are managed by business units with assistance from SC&L and the Procurement and Contracting unit as required.**

The scope of this framework does not cover:

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



## 3. Authority

### 3.1 Legislative context

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

### 3.2 Whole of Government requirements

- [South Australian Industry Participation Policy](#)
- [Premier and Cabinet Circulars](#) – 27 and 44
- [DTF Procurement Services SA Policies, Guidelines and Templates](#)
- [Across Government Contracts](#)

### 3.3 DCP requirements

- [DCP Strategic Plan](#)
- [Procurement Governance Framework](#)
- [Procurement Governance Policy](#)
- [Aboriginal Procurement Policy](#)
- [Sourcing Procedure](#)
- [Procurement and Contracting Engagement Procedure](#)
- [Managing Risk in Procurement Procedure](#)
- [Supplier Complaints in Procurement Procedure](#)
- [Procurement Complexity and Capability Assessment Procedure](#)
- [Financial Authorisations Procedure](#)
- [Contract Management Manual](#)
- [Contract Performance Management Framework](#)
- [DCP Accounts Payable Policy](#)

### 3.4 Principles

- The safety of children and young people is the paramount consideration and DCP will put their needs at the centre of contract management practices.
- Collaboration – DCP and service providers will work together in genuine partnership to provide culturally safe care and ensure better outcomes for Aboriginal and Torres Strait Islander infants, children and young people.
- Value for money - enable savings opportunities identified during the procurement or contract management process, enable further benefits through ongoing performance reviews, service improvements, supply chain improvements, innovation, etc.
- Risk management - reduce contractual and supply risks through the robust contract management practices.
- End-user outcomes - maximise outcomes to end-users/customers by managing supplier relationships and contract performance, maintaining quality, improving productivity and identifying opportunities for improvement and innovation.



## 4. Framework requirements

Contract management consideration commences during procurement planning activities, ensuring that key requirements are established to deliver effective contract management. These requirements include, but are not limited to:

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

These activities commence with the Procurement and Contracting Unit, following guidance provided by the Department of Treasury and Finance Procurement Services SA (DTF PSSA) and implemented within the DCP Procurement Governance Framework, and must be aligned with the contract management activities. This framework focuses on contract management related to post-contract award activities, for example, once a contract has been established for the business requirements through the procurement process.

DCP contract management aligns to [DTF PSSA contract management governing policy and guidelines](#), following a 4-step process as described in the table below. Each of these steps has consideration to mandatory and optional contract management requirements which are further detailed within this framework.

DCP Contract Management Framework Steps	Contract Management Requirements
Step 1: Contract start-up	Contract risk and complexity assessment Contract manager Contract handover (and kick-off) Contract management plan Establishing contract administration processes Record keeping and documentation
Step 2: Contract administration and performance management	Performance management Dispute resolution
Step 3: Contract reviews, extensions and variations	Contract reviews and reporting Contract extensions and variations
Step 4: Contract closure	Transition out Disposal Post-contract review

### 4.1 Step 1 – Contract start-up

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

Contract start-up summary	
Why is contract start-up important?	<ul style="list-style-type: none"> <li>• To define clear roles and responsibilities for managing the contract</li> <li>• To classify the contract depending on its value and risks</li> <li>• To define and agree the necessary activities for managing the contract</li> </ul>



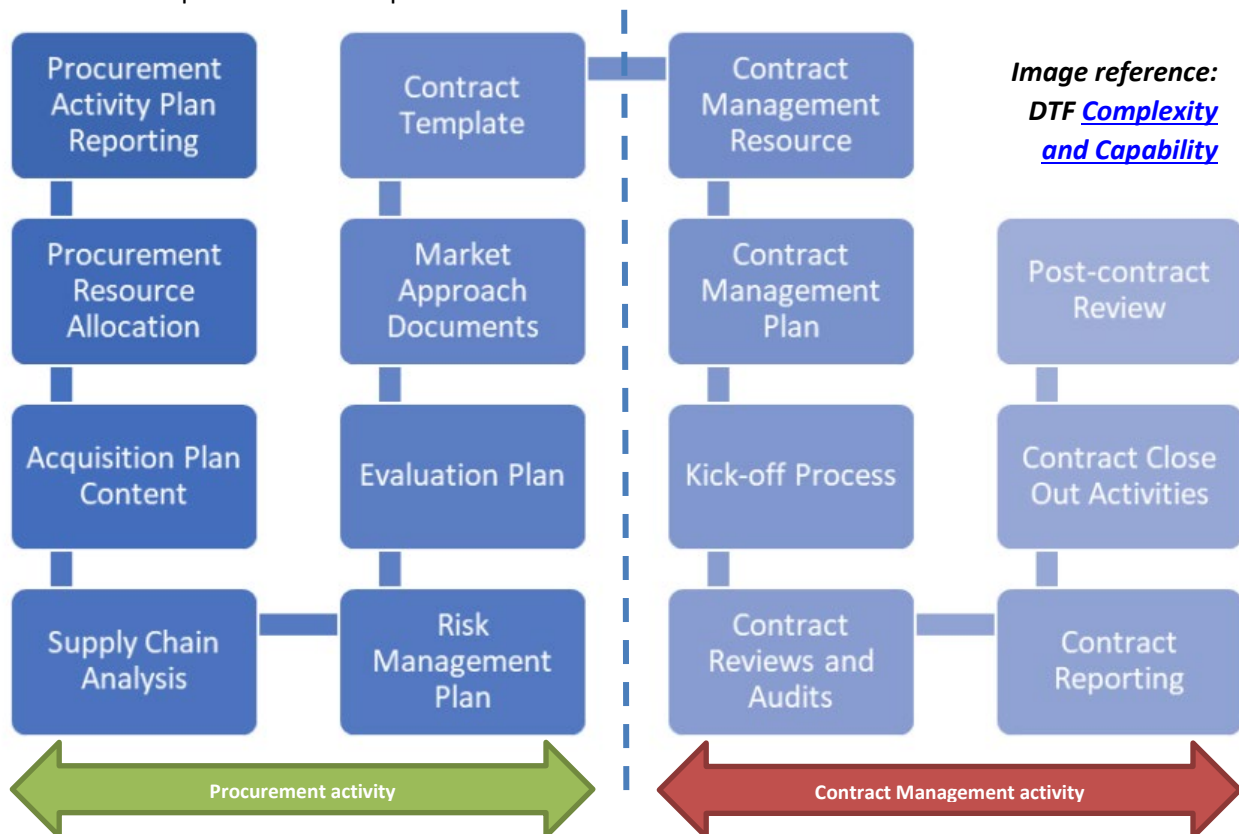
What does contract start-up deliver?	<ul style="list-style-type: none"> <li>• Clear contract management roles and responsibilities</li> <li>• Effective contract management plan</li> <li>• Record keeping and documentation structure</li> <li>• Contract kick-off meeting</li> </ul>
What are the risks if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

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

- **Complexity assessment** - classify a contract (as either transactional, routine, complex or strategic) based on DCP’s [Procurement Complexity and Capability Assessment Procedure](#)
- **Contract management checklist** - suitable for all contracts – a brief summary of key information relevant to contract management
- **Contract management plan** - define the key activities and responsibilities for managing the contract
- **Contract kick-off meeting template** - a guide for the contract kick-off meeting.

#### 4.1.1 Step 1.1 – Complexity and risk assessments

During the early stages of the procurement activity, the procurement lead must complete a complexity assessment, in line with in line with the DCP’s [Procurement Complexity and Capability Assessment Procedure](#). The contract complexity must be reassessed by the procurement lead before the transition to contract management. This assessment helps determine which of the following steps are performed, and the level of detail required for that step.





The complexity assessment will consider a broad range of factors including risk, total cost of ownership and market dynamics associated with the procurement activity. The risk of any procurement process is considered, in accordance with the DCP [Risk Management Framework](#) and the DCP [Managing Risk in Procurement Procedure](#) as part of the complexity assessment.

Contract management plans (CMP) are required for “complex” and “strategic” contracts. Understanding the complexity assessment of the contract will inform the approach to contract management, with areas of focus to be captured in the CMP. A copy of the complexity assessment for the contract should be kept with the contract records (or as part of the CMP).

Contracts can be classified as either:

- **Transactional** - a ‘light touch’ approach is recommended
- **Routine** - usually routine in nature, and do not require regular review. A contract management checklist can be a useful tool for managing routine and transactional contracts
- **Complex** - not usually routine in nature, they will require regular and consistent review. CMPs and kick-off meetings are mandated and will require experienced contract managers due to the high risk and complexity
- **Strategic** - these contracts require the most amount of rigour and attention to manage the contract. Experienced contract managers should be allocated to these contracts. CMPs and kick-off meetings are mandated.

#### 4.1.2 Step 1.2 – Contract manager resource

When undertaking the complexity assessment, the procurement lead will also undertake a capability assessment. All routine, complex and strategic contracts will be managed by an adequately resourced and skilled contract manager.

At a minimum, a contract manager resource managing a routine contract is required to have completed the DTF PSSA Principles of Contract Management mandated course (or similar) within the last two-year period. Contract managers managing complex and strategic contracts must have completed both the Principles and Advanced Contract Management courses within the last two-year period.

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

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



The contract manager is recommended to be a representative within the directorate with the relevant technical and interpersonal skills, and will be appointed by the contract owner.

#### 4.1.3 Step 1.3 – Contract handover

The procurement lead and contract manager will use a contract handover checklist for all routine, complex and strategic contracts to ensure effective contract handover has been completed.

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

- requesting the contract owner to appoint a contract manager for the contract if one has not been appointed already
- ensuring the allocated contract manager is an adequately resourced and skilled for all routine, complex, or strategic contracts
- ensuring the contract manager has completed the required contract management training program and is aware of the requirement to undergo refresher training every two years
- reviewing and documenting the scope and expected outcomes for the contract (within the CMP if one is required)
- ensuring the contract is registered in the DCP contract management and licensing system
- handing over key contractual documents to the contract manager as outlined in the contract handover checklist.

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

When managing a new contract for goods or services that have previously been supplied to the public authority, the contract owner or contract manager should identify what is required to transition effectively from one contract to another. In this instance, a transition plan should be considered; the DTF [Contract Transition \(in and out\) Planning Checklist](#) will provide further guidance.

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

A CMP is required for all “complex” and “strategic” contracts and contains key information about how the contract will be managed over the contract term to ensure value for money is achieved. It should be a working document that assists the contract manager to effectively manage the contract. The contract management plan should be developed jointly between the procurement lead and nominated contract manager and approved by the contract owner prior to the first quarterly contract management meeting being held.

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

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



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

- the scope of the goods/services purchased under the contract and the objectives of both parties
- bespoke contractual obligations (if any)
- the contract particulars including the term and extension options
- issues raised by the supplier that were negotiated as part of the contract
- performance measures and governance frameworks developed and agreed with the supplier
- the contract complexity assessment
- any risks that were identified (relating to either the goods/services purchased or the supplier) that need to be managed under the contract
- any savings or benefits that are expected to be achieved under the contract that need to be monitored and managed
- contract review and/or meeting schedules.

The CMP will be implemented and monitored regularly (at least annually) throughout the term of the contract and updated as required. For transactional or routine contracts, a contract management checklist can be completed instead of a CMP.

#### 4.1.5 Step 1.5 – Establishing contract administration processes

The Manager, Service Contracts and Licensing (SC&L) will ensure there are:

- set procedures to inform all stakeholders of the services/goods provided under the contract and the key service requirement/key performance indicators related to service delivery
- clear administrative procedures in place to make sure all stakeholders are aware of each party's administrative roles and responsibilities.

Contract managers will arrange a kick-off meeting for all “complex” and “strategic” contracts.

Kick-off meetings are a good way to start a relationship with a supplier. The contract manager should organise the kick-off meeting as soon as practically possible after the contract execution. Some contracts (for example, transactional and routine contracts) may not warrant having a kick-off meeting, however it is important to exercise judgment as to when a kick-off meeting will be a worthwhile use of time.

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

The purpose of the meeting is to:

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

The contract manager is responsible for conducting the kick-off meeting. Contract managers should use the contract kick-off meeting template for guidance.

The contract manager may need to issue new contract processes to stakeholders that explain the ordering process, performance criteria and points of contact. For each contract, DCP will keep up to date and communicate to stakeholders (as relevant) details of:



- who to talk to about contract issues (for example, the contract manager and the supplier's contract manager or other representative)
- preferred channels for communication and when to use them (e.g. telephone calls, emails, meetings, reports, formal letters)
- agreed response timeframes
- how to escalate unresolved issues
- how to use CMLS to report on key performance indicators and financial data.

For "complex" and "strategic" contracts, this information should be kept up to date in the CMP.

#### 4.1.6 Step 1.6 – Record keeping and documentation

Keeping records and significant documents is a crucial aspect of good contract management. These records may include, but are not limited to:

- procurement documentation
- the complexity and capability assessment
- the risk management plan or risk assessment
- the original contract
- the contract management plan
- minutes of contract management meetings
- significant communications with the supplier
- where applicable, records of invoices and payments
- performance reports, assessments, feedback or non-compliance issues
- variations or extensions to the contract
- legal or technical advice received.

The contract manager will ensure it has proper systems in place for identifying, gathering and recording relevant information in accordance with this CMF and the requirements of the [State Records Act 1997](#).

SC&L contact managers must use the CMLS. The CMLS is optional for all other contracts.

#### 4.2 Step 2 – Contract administration and performance management

Contract managers will continue to monitor performance measures and manage performance over the life of the contract in line with the performance standards detailed in the contract.

Where a supplier's performance is found to be inadequate, the issue will be discussed with the supplier to try and reach an agreement of how to remedy the situation before further action is taken. This will be subject to any applicable terms of the contract regarding performance.

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

### 4.2.1 Step 2.1 – Performance management

#### *Establishing Key Performance Indicators (KPIs)*

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

The KPIs to be measured in the contract should be identified early during the procurement process, well before the contract is signed, and should reflect the complexity and risk classification of the contract (for example, not one size fits all). Both parties will need to agree what KPIs will be measured, how they will be measured, who is responsible for tracking performance and how frequently. This should be incorporated into the contract.

For “complex” and “strategic” contracts, the contract manager will need to determine if any additional measures are necessary to track performance and ensure these are included within the CMP.

Key components of an effective performance management approach are:

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

Contract managers must refer to the KPI process for the development and amendment of supplier KPIs.

#### *Performance Monitoring*

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



Key contract stakeholders need to be aware of the contract deliverables and KPIs, in order to provide feedback on a suitable basis. The contract manager will undertake a reporting process that is appropriate for the contract based on its complexity.

See example below for guidance:

Performance monitoring - reporting				
	Transactional	Routine	Complex	Strategic
Frequency	<ul style="list-style-type: none"> <li>As required (optional)</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>
Audience	<ul style="list-style-type: none"> <li>Key users</li> <li>Supplier</li> </ul>	<ul style="list-style-type: none"> <li>Key users</li> <li>Supplier</li> </ul>	<ul style="list-style-type: none"> <li>Contract owner</li> <li>Supplier</li> <li>Key users</li> </ul>	<ul style="list-style-type: none"> <li>Contract owner</li> <li>Supplier</li> <li>Key users</li> </ul>

As per the [Contract Performance Management Framework](#), KPIs are grouped into Tier 1 and Tier 2 indicators. Within the reporting process, each Tier 1 KPI will be measured against the performance target and thresholds, which in turn determine the method of which each report will be communicated. Meetings between DCP and the supplier use the [contract performance review meeting template](#).

Threshold trigger	Performance level	Performance management response method
Performance equal to or above expectations or targets	Performance level 1: Performing	<ul style="list-style-type: none"> <li>The performance report will be provided via email with at least one face-to-face meeting per financial year where:               <ul style="list-style-type: none"> <li>a contract demonstrates sustained performance level 1 (at least two consecutive quarters)</li> </ul> </li> <li>a face-to face (or virtual) meeting may occur in circumstances outlined in the <a href="#">Contract Performance Management Framework</a></li> </ul>
Performance under expectations or targets	Performance level 2: Under performing	<ul style="list-style-type: none"> <li>face-to face (or virtual) meeting</li> </ul>
Performance well under expectations or targets	Performance level 3: Not performing	<ul style="list-style-type: none"> <li>face-to face (or virtual) meeting</li> </ul>
Performance not improving within the timeframes set out in performance recovery plan	Performance level 4: Non-achievement of performance	<ul style="list-style-type: none"> <li>face-to face (or virtual) meeting – CFO must attend the initial meeting</li> <li>Non-achievement of performance recovery plan contracts must move to monthly reviews until performance level 2 is achieved</li> <li>a breach notice may be administered and contract variation or termination will be considered by the CFO</li> </ul>



Where a performance level has been changed, this will be communicated to the service provider and recorded within the KPI record and the revised performance level and performance management response will apply.

Performance recovery plans are developed in response to a high/extreme performance risk. Performance recovery plans are developed by the DCP contract manager in consultation with the contract owner and are approved by the DCP Chief Financial Officer.

Whilst meeting schedules are based on performance under contract, DCP or a supplier may request to call a face-to-face (or virtual) meeting via the contract manager, at any time. The contract manager will coordinate a meeting date and suitable attendees based on the requirement for the meeting.

#### *Under-Performance*

In the case of contract performance issues, it is the responsibility of the contract manager to initiate discussions with the supplier to resolve them. Where there is a possibility that the performance issues may result in unsatisfactory outcomes for users, a formal performance management process should be undertaken as described below, outlined in the above table and prescribed within the [Contract Performance Management Framework](#).

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

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

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

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

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

#### *Reviewing Performance Measures*

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

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

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



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

Any new Tier 1 KPIs or changes to KPIs must be updated within the contract through a formal contract variation.

#### *Record Management*

Information management is an important part of contract management as accurate records must be maintained and accessible. The contract manager must keep key contract information updated in the contract management system to ensure a single evidence base.

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

#### *Financial Administration*

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

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

A significant increase to spend should trigger a new complexity assessment to be undertaken as per [step 1.1](#).

#### *Risk Management*

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

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

An increase in risk should trigger a new complexity assessment to be undertaken as per [step 1.1](#).

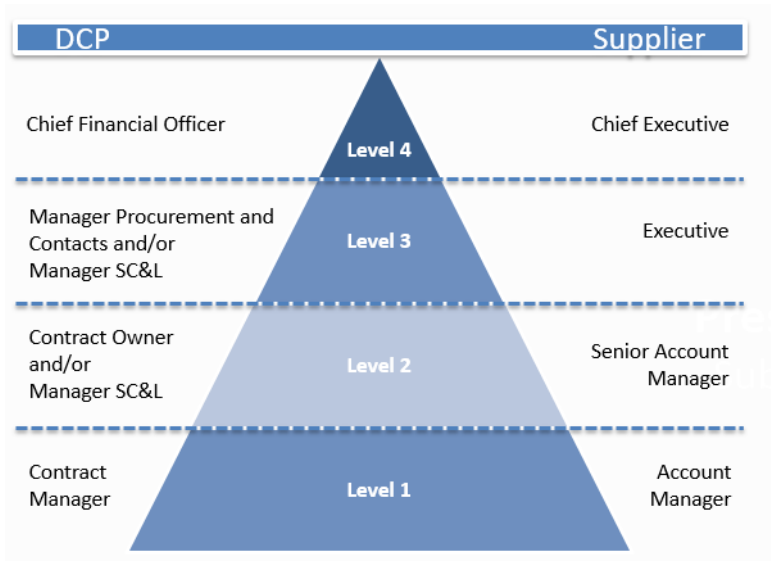
### **4.2.2 Step 2.2 – Dispute resolution**

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

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

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

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



In the case of SC&L contracts, either the Manager SC&L or Manager, Contract Administration is nominated in CMLS as the contract owner and will manage all escalations from the contract manager. They will engage the Manager Procurement and Contracting (as required) when escalating to the Chief Financial Officer.

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

- engage the supplier in an open, transparent and constructive conversation outlining the issue or potential issue
- give the supplier an opportunity to explain the cause or nature of the non-performance or non-compliance
- work with the supplier to collectively develop a mutually agreeable solution to address the issue(s)
- seek assistance from subject matter experts to ensure the agreed plan is suitable (this may include seeking DCP Legal Services input via procurement)
- escalate the issue(s) if the scope of the issue is outside the contract manager's authority
- seek contract termination as last resort.

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

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

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

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

- SC&L for all contracts directly relating to children and young people
- procurement for all other contracts



All variations should be captured as per [section 4.3.2](#) (Step 3.2).

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

All contract extensions must be approved in accordance with the contract and be approved by the appropriate delegate. All contract extensions will be managed via the DCP extension letter template. Contract renewals (including where contracts have exhausted all extension options) will be managed via a new contract process or a formal contract variation as appropriate.

### 4.3.1 Step 3.1 – Contract reviews and reporting

DCP is required to, from time to time, undertake an assessment of their “complex” and “strategic” contracts to determine whether:

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

These contract reviews will be conducted annually, at a minimum, for each applicable contract with a contract term longer than 12 months.

As part of this review, DCP will report annually to the Chief Executive (or authorised person) via the CMLS Contract Review Process on:

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

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

DTF PSSA provide further guidance within the [Annual Contract Review Template](#), for DCP consideration. The following table also provides guidance for contract managers when completing each aspect of the contract review for DCP Chief Executive annual reporting.

Reporting requirement	Description	Measure
Contract expenditure	Value of approved contract value vs actual expenditure of the contract	\$ expended v approved \$ savings / increase % savings / increase
Allocated resources	Public authority staff member/s allocated to undertake the contract management and administration processes for the contract	# FTE or part FTE (full time equivalent)
	Any changes to contract manager in last period	#
Contract outcomes and supplier performance	The performance framework will be set out in the contract and will differ for each contract depending on the procurement objectives	To be measured in accordance with the contracted performance measure(s)



	Key targets/deliverables achieved (or are on track to be achieved) compared to the number required by the contract	# and %
	Key targets/deliverables achieved within the timeframes set out in the contract	# and %
Contract variations / proposed variations	Changes to scope	# and level of variation
	Advise the current number of variations and any raised during the period	Current: # New: #
	Changes to pricing schedule and/or total value of the contract (difference between original contract value and the new contract value after the variation has occurred)	\$ savings / increase % savings / increase
	Changes to contract timeline (difference between original contract timeline and the new contract timeline after the variation has occurred)	# of days increase / decrease % increase / decrease of total contract timeline
Result of efforts to mitigate risks throughout the life of the contract	Risks identified (relating to the goods/services procured or the supplier) that needed to be managed under the contract	#
	Risk reviews conducted. At least annually or where significant change to authority, market or stakeholders	#
	The number of risks controlled and/or treated compared to the number of risks identified (relating to the goods/services procured or the supplier) that needed to be managed under the contract	%

### 4.3.2 Step 3.2 – Contract variations and extensions

#### *Contract Variations*

Variations usually refer to adding, removing or changing an existing contract provision and may include a change to the:

- scope of the contract
- value of the contract
- contract extension options to be exercised
- contract prices
- quantity purchased
- contract KPIs.

Procedures for varying and amending contracts are included in the contract and managed by the contract manager. Where a contract is varied, this variation will be agreed in writing between the parties, either via email or by way of a formal Contract Variation Letter (see table below).

An assessment of the proposed variation and the need for any approvals should be made in terms of its impact on the contract deliverables, price, timeframes, value for money, probity, transparency and accountability as per the below table:



Impact	Description	DCP Approval Requirements	Minimum Variation Method
Insignificant	No potential to impact the contract deliverables, price, timeframes, value for money outcomes, probity, transparency and accountability	Nil - a note is recorded on file	Email
Minor	Limited potential to impact the contract deliverables, price, timeframes and value for money outcomes, probity, transparency and accountability	Nil - a note is recorded on file	Email
Moderate	Moderate potential to impact the contract deliverables, price, timeframes, value for money outcomes, probity, transparency and accountability	Approval is sought from the approving delegate of the acquisition plan and recorded on file	Contract Variation Letter
Major	High potential to impact the contract deliverables, price, timeframes value for money outcomes, probity, transparency and accountability	Approval is sought from the approving delegate of the acquisition plan and recorded on file	Contract Variation Letter

Variations to [South Australian Industry Participation Policy](#) (SAIPP) plans must also follow the above approval process and consider the impact (for example, significant changes to a supplier's local footprint may be considered a moderate or major impact). Office of the Industry Advocate (OIA) approval is not required for SAIPP variations, however DCP should consult with and notify the OIA of the approved variation to the SAIPP.

DCP should not seek or approve a contract variation where it would significantly vary the scope, value or complexity of the contract if it could reasonably be determined that:

- other potential suppliers may have responded differently to the amended contract scope in the tendering process which may have produced a different value for money outcome
- the variation may compromise the original procurement's value for money assessment.

Where the contract manager is uncertain of the approach, advice should be sought from the contract owner and/or the Procurement and Contracting Unit.

#### *Contract Extensions*

A contract renewal or extension is when all parties agree to exercise an (unused) option to extend the contract for a further period specified in the contract. Before exercising an extension option, DCP should consider whether extending the contract would continue to deliver the contract outcomes and achieve value for money.

Discussions to exercise an extension option should be considered at least six-months before the expiry date in case the extension is not taken up and a new procurement process is required.

Where there is funding certainty, a minimum of six months' notice should be provided to not-for-profit organisations regarding whether contracts are to be renewed. This notice will assist to prevent unnecessary loss of staff and reduce the impact on individuals who rely on these services.



Contract managers should also consider taking the opportunity to negotiate a better value position during the extension term. A contract Extension Letter should be issued following the contract review process and subsequent decision to exercise an extension.

If the contract does not have any extension options available but the goods or services are required beyond the contract expiry date, the parties may agree to vary the contract to extend the end date. In such situations, where the supplier is willing to continue supply under the same terms and conditions, procurement approval for the extended arrangements may be obtained via the same process used for Moderate and Major variations (as per above table), ensuring that value for money, probity, transparency and accountability is considered and upheld.

DCP cannot extend a contract that has expired. Where a contract has expired without an approved variation to extend but the supply of goods or services under the expired contract is required to continue for a short time after the expiration, a new interim contract should be executed. This option should be utilised only as an interim measure on the condition that a new procurement process is undertaken within a reasonable timeframe. For longer-term extensions and/or those requiring more complex negotiations, an acquisition plan should be used and procurement process led by the Procurement and Contracting Unit.

In the event of any contract extension or interim contract, a reassessment of contract complexity must be undertaken as per [step 1.1](#).

#### *Unintentional Variation*

Contract managers should ensure that all contractual obligations are carried out in accordance with the terms of the contract, as there is a risk that failing to do so could have negative implications in future, for example:

- Not following an acceptance process upon delivery of goods could result in goods being deemed to have been accepted
- Not addressing supplier under-performance when identified/reported may establish new reduced performance levels within the contract.

When communicating with the supplier (either verbally or in writing), contract managers should ensure their comments are always in line with the contract so as to not inadvertently vary the contract.

If discussing a possible contract variation with a supplier, contract managers should be careful not to imply agreement until all aspects have been finalised, including any approvals from public authority delegates. Contract managers should maintain a written record of any outcomes of discussions with suppliers and email these to the supplier to avoid uncertainty regarding the discussion, minimise the risk of dispute and ensure both parties have a record of any agreed actions or decisions.

#### *Contractual Web Content*

Variations that result in any changes to service specification and/or service provision requirements published on DCP's website must be updated in accordance with the [Contractual Web Content Management Framework](#).

## **4.4 Step 4 – Contract Closure**

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

Contract close-out may occur as a result of:



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

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

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

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

Other various matters may also be considered at the end of a contract, including whether:

- all outstanding contract actions have been fulfilled by the supplier, including deliverables
- required documents, equipment or other goods have been returned
- all payments and financial obligations have been completed and reconciled
- there are any outstanding reports or disputes
- any warranty issues are still outstanding
- there are any legal rights and obligations on the parties that may survive after the contract has closed
- access arrangements have been terminated or revoked, including security passes

The Contract Close-out process is completed as part of the next quarterly reporting process following contract expiry unless there are extenuating circumstances which will be dealt with on a case-by-case basis. This timeframe allows the service provider to submit their quarterly reporting requirements as part of the contract management process.

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

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

#### 4.4.1 Step 4.1 – Contract Closure

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

DCP will ensure transition planning is in place before the contract expires and prior to going back out to the market if the supply of similar goods or services is required.

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

- identify any specific differences between the current and future contract
- develop a new communication plan, identify stakeholders, both internally and externally who may be impacted by the change



- update internal processes or procedures with any changes required under the new contract.

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

#### 4.4.2 Step 4.2 – Disposal

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

#### 4.4.3 Step 4.3 – Post-contract review

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

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

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

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

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

Where appropriate, the contract manager should provide all or part of the feedback from the contract review to internal DCP stakeholders and form considerations in as lessons learnt for further arrangements.

Once a contract has concluded it is important that the contract is reviewed and lessons are logged. This supports DCP's objective to continually improve its contract management capability. The best practice approach is to gather the contract management team together and undertake a review session to capture the lessons learned. It is best to do this before any team member moves on to other contracts or projects.

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

## 5. Compliance, monitoring and evaluation

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



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

## 6. Related documents

Related documents, forms and templates
<a href="#">Treasurer's Instruction 8 - Procurement</a>
<a href="#">Public Finance &amp; Audit Act 1987</a>
<a href="#">State Records Act 1997</a>
<a href="#">South Australian Industry Participation Policy (SAIPP)</a>
<a href="#">Premier and Cabinet Circulars – 27 and 44</a>
<a href="#">DTF Procurement Services SA Policies, Guidelines and Templates</a>
<a href="#">Across Government Contracts</a>
<a href="#">DCP Strategic Plan</a>
<a href="#">DCP Procurement Governance Framework</a>
<a href="#">DCP Contract Performance Management Framework</a>
<a href="#">DCP Contractual Web Content Management Framework</a>
<a href="#">DCP Contract Management Manual</a>
<a href="#">DCP Procurement Governance Policy</a>
<a href="#">DCP Aboriginal Procurement Policy</a>
<a href="#">DCP Procurement and Contracting Engagement Procedure</a>
<a href="#">DCP Managing Risk in Procurement Procedure</a>
<a href="#">DCP Supplier Complaints in Procurement Procedure</a>
<a href="#">DCP Sourcing Procedure</a>
<a href="#">DCP Procurement Complexity and Capability Assessment Procedure</a>
<a href="#">DCP Financial Authorisations Procedure</a>
<a href="#">DCP Risk Assessment Framework</a>
<a href="#">DCP Policy Governance Framework</a>



## 7. Roles and responsibilities

Following procurement activity transition to contract management, there are essential number of key roles for managing contracts effectively. Each role draws on a range of skill sets. These roles may be assigned to current DCP employees or contractors with the correct skills and delegations of authority. Where necessary, the same person could be delegated to one, two or all of the roles described below. A matrix of responsibilities across each step of the contract and performance management cycle is included in [Appendix B - RACI](#).

Role	Authority/responsibility for
Procurement lead	A delegate from within the DCP Procurement and Contracting business unit responsible for leading procurement activities through to contract award, ensuring the effective handover to a contract manager.
Contract owner	Recommended to be a senior employee from the relevant DCP directorate who is impacted by the contract outcomes. Appoint contract manager roles within their directorate. Authorised person to receive post-contract review reports. For SC&L contracts this will be nominated in the CMLS as either the Manager, Service Contracts and Licensing or Manager, Contract Administration.
Contract manager	Manage contracts through post-contract award lifecycle as the single point of contact for suppliers on all contract matters. Monitor contract performance and compliance throughout the contract term. Will either be a member of the DCP contract owner directorate, or a member of the SC&L Unit.
Supplier	A third-party provider who has entered into a contractual arrangement with DCP for the provision of goods and/or services, and for the purpose of this framework, is contractually obligated to partake in contract management activities.
Key user	May also be referred to a stakeholder. A DCP representative who has a vested interest in the contract, or uses the contract to procure goods and/or services from to meet DCP operational and strategic requirements.



## Appendix A – Contract management complexity approach

		Contract Complexity Classification			
		Transactional	Routine	Complex	Strategic
Contract start-up	1.1 Contract complexity and risk assessment	Mandated	Mandated	Mandated	Mandated
	1.2 Contract manager	Optional	Mandated	Mandated	Mandated
	1.3 Contract handover (checklist)	Optional	Mandated	Mandated	Mandated
	1.4 Contract management plan (CMP)	Optional	Optional	Mandated	Mandated
	1.5 Establishing contract administration processes (kick-off meeting)	Optional	Optional	Mandated	Mandated
	1.6 Record keeping and documentation	Mandated	Mandated	Mandated	Mandated
Contract administration and performance management	2.1 Performance management	Mandated	Mandated	Mandated	Mandated
	2.2 Dispute resolution	Mandated	Mandated	Mandated	Mandated
Contract reviews, variations and extensions	3.1 Contract reviews and reporting	Optional	Optional	Mandated	Mandated
	3.2 Contract variations and extensions	As required	As required	As required	As required
Contract closure	4.1 Transition out	As required	As required	As required	As required
	4.2 Disposal	As required	As required	As required	As required
	4.3 Post-contract review	Optional	Mandated	Mandated	Mandated



## Appendix B – RACI

Activity	Procurement	Contract owner	Contract manager resource	Contract administrator	Supplier	Key users
1.1 Complexity and risk assessments	R/A	I	C	-	-	I
1.2 Contract manager	I	R/A	C	I	I	I
1.3 Contract handover	R/A	-	R/A	I	I	I
1.4 Contract management plan (CMP)	C	I	R/A	I	C	C
1.5 Establishing contract administration processes	-	-	R/A	I	C	C
1.6 Record keeping and documentation	-	-	A	R	-	I
<b>2.0 Contract Management</b>						
2.1 Performance management	C	I	R/A	I	C	C
2.2 Dispute resolution	C	C	R/A	I	R	C
<b>3.0 Contract Review and Reporting</b>						
3.1 Contract reviews and reporting	-	I	R/A	I	C	C
3.2 Contract variations and extensions	-	I	R/A	I	C	C
<b>4.0 Post-Contract Review</b>						
4.1 Transition out	C	I	R/A	I	C	C
4.2 Disposal	C	-	R/A	I	C	C
4.3 Post-contract review	C	I	R/A	I	I	I

R – Responsible: person who performs the activity or does the work  
 A – Accountable: person who is ultimately accountable and has the Yes/No/Veto  
 C – Consulted: person that needs to feedback and contribute to the activity  
 I – Informed: person that needs to know of the decision or action



## Document control

<b>Reference No./ File No.</b>			
<b>Document Owner</b>		<b>Lead Writer (name, position)</b>	
Directorate/Unit: Out of Home Care		Lead Project Officer, Operational Support, Out of Home Care	
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<b>Risk rating</b>	<b>Consequence Rating</b>	<b>Likelihood</b>	<b>Risk Rating</b>
<a href="#">Risk Assessment Matrix</a>	Minor	Likely	Moderate

REVISION RECORD		
Approval Date	Version	Revision description
06/09/2024	4.0	Review as per DCP policy review cycle
08/08/2022	3.1	Minor amendments made to language
07/05/2021	2.0	Transition to new template and minor updates for whole of government procurement reforms
June 2022	3.0	Review to embed: <ul style="list-style-type: none"> <li>DTF Procurement Services SA compliance assessment continuous improvement recommendations; and</li> <li>Updated hyperlinks and document references.</li> </ul> Include additional relevant guidance.
05/09/2018	1.3	Document published