Contract management framework

1 Introduction

This framework provides a guide to the contract management process as well as tools and templates to assist you in effectively managing contracts.

The contract management framework describes the required responsibilities associated with the three major phases involved in the contract management lifecycle:

Phase 1 – Contract set-up
How to initiate and plan the contract management process

Phase 2 – Contract management
How to administer and manage contracts

Phase 3 – Contract close-out
How to close and transition contracts

Within each phase, there are a number of key activities to be performed. Depending on how the contract is classified based on value and risk, the activities, focus and amount of effort required can vary.

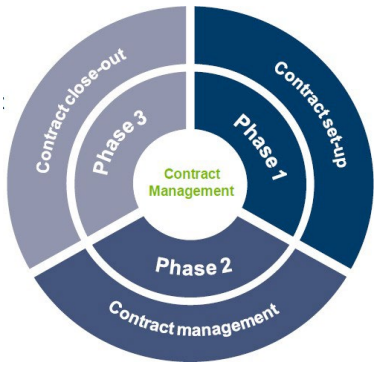

Figure 1 Contract management framework

The effective management of contracts with suppliers is critical to the University maximising benefits from procurement. These benefits can be summarised as follows:

Benefits of contract management	
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 risks through the robust contract management practices.
End-user outcomes	• Maximise outcomes to end-users/customers by managing supplier performance, maintaining quality, improving productivity and identifying opportunities for improvement and innovation.

2 Purpose

The purpose of the contract management framework is to provide a clear and standardised approach to managing and administering contracts for goods and services purchased from suppliers.

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

3 Scope

3.1 Contract management planning starts before a contract is signed

Activities performed prior to contract award have a strong impact on the contract management process. Ensuring that key requirements are fulfilled before the contract starts is fundamental for effective contract management. These requirements follow:

- Contract terms and conditions developed and agreed by all parties
- Performance management activities and reporting agreed
- Contract owner appointed
- Contract management plan implemented.

Although these activities are outside the scope of the contract management framework they must be aligned with the contract management activities.

3.2 Scope of the Contract Management Framework

This document focuses on contract management related to post-award activities, e.g. once a contract has been established through the strategic sourcing/procurement process (Figure 2).

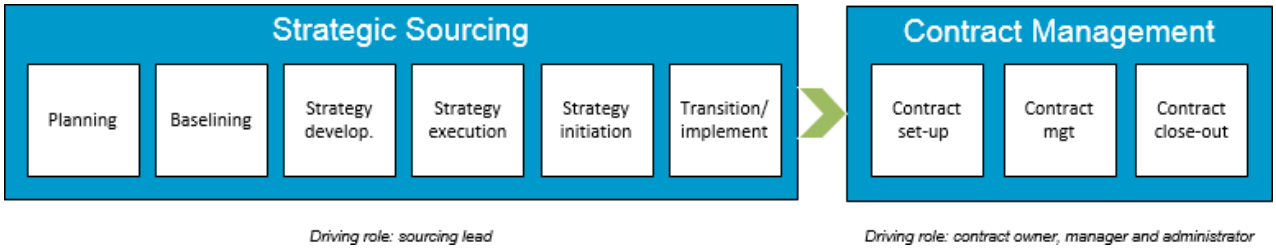

Figure 2 **Strategic sourcing and contract management integration**

The document does not cover:

- Pre-award activities – strategic sourcing, contract negotiation, contract development and contract award (refer to Procurement Policy and associated Procedures).
- Purchase to pay – process to raise requisitions, purchase orders and process payments.

3.3 Who does the contract management framework apply to?

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

4 Roles and responsibilities

There are three essential roles for managing contracts effectively. Each role draws on a range of skill sets. These roles may be assigned to current employees or contractors with the correct skills and delegations. Where necessary, the same person can perform one, two or all of the roles described below:

Roles and responsibilities	
Sourcing process	
Sourcing Lead	• Person who leads the sourcing process. • Ensure that that the method of purchase and documentation requirements under the Procurement Procedures and Procurement Policy are met. • Ensure the requirements of the Contract Procedures are met. • Usually an appropriate representative within the work unit and/or the Senior Procurement Officer.
Contract Management	
Contract Owner (CO)	• Person accountable for the budget/cost centre that funds the contract. • Employee with delegation to approve contract payments and variations. • Appoint contract management roles. • Will normally be the member of the Executive or Head of Work Unit with delegation to execute the contract.
Contract Manager (CM)	• Manage contracts through post-award lifecycle as the single point of contact for suppliers on all contract matters. • Monitor contract performance and compliance. • Recommended to be a representative within the work unit with the relevant commercial skills. • May be the Sourcing Lead
For more detailed information about roles and responsibilities throughout the contract management lifecycle, refer to the RACI table in Appendix A.	

6 Phases and key steps to contract management

The following table summarises the key steps in each phase of contract management. It shows how the approach to each step can vary, depending on whether the contract is classified (based on value and risk) as 'routine', 'focused/leveraged' or 'strategic' (see Step 1.2 below for further information about these contract classifications).

This value/risk approach to contract management recognises that (for example) strategic contracts which are high risk and high value require a lot more rigour, and experienced resources, to manage than a routine contract.

		Contract classification		
		Routine	**Focused / Leveraged**	**Strategic**
Phase 1 **Contract set-up**	1.1 Contract hand-over	**Required**	**Required**	**Required**
	1.2 Classify contract based on value and risk	**Required**	**Required**	**Required**
	1.3 Confirm contract management roles	**Required**	**Required**	**Required**
	1.4 Finalise contract management plan (CMP)	**Required** (Short form only)	**Required** (Long form)	**Required** (Long form)
	1.5 Set-up information management structure	**Recommended**	**Required**	**Required**
	1.6 Conduct kick-off meeting	**Optional**	**Recommended**	**Required**
Phase 2 **Contract Management**	2.1 Manage performance	**Recommended**	**Required**	**Required**
	2.2 Contract administration	**Recommended**	**Required**	**Required**
	2.3 Manage complaints	**Required**	**Required**	**Required**
	2.4 Manage contract extensions/renewal/ variation	**Required**	**Required**	**Required**
Phase 3 **Contract close-out**	3.1 Final performance review	**Optional**	**Recommended**	**Required**
	3.2 Lessons learned	**Optional**	**Recommended**	**Recommended**
	3.3 Contract close-out/transition	**Required**	**Required**	**Required**

Required – The activity must be performed for the contract.

Recommended – The activity is recommended but it is not mandatory.

Optional – Optional activities where judgment should be applied for weighing up the effort required with the potential benefits of the step.

7 Phase 1 – Contract set-up

7.1 Summary

The contract set-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.

Phase 1 – Contract set up summary	
Why is contract set-up important?	• To define clear roles and responsibilities for managing the contract. • To classify the contract depending on its value and risks. • To define and agree the necessary activities for managing the contract.
What does contract set-up deliver?	• Clear contract management roles and responsibilities. • Effective contract management plan. • Information management structure. • Contract kick-off meeting.
What are the risks if the contract set-up is not performed?	• Lack of accountability on contract management activities. • Ineffective allocation of contract management resources to relevant contracts, without proper consideration of value and risk. • Failures on contract delivery due to poor planning.

The following tools and templates are provided to assist with performing steps in Phase 1:

Phase 1 – Contract set up tools and templates	
Value/risk assessment	Classify a contract (as either routine, focused/leveraged or strategic) based on value and risk.
Contract management checklist/contract management plan (short form)	Suitable for routine contracts – a brief summary of key information relevant to contract management.
Contract management plan (long form)	Define the key activities and responsibilities for managing the contract.
Contract kick-off meeting template	A guide for the contract kick-off meeting.

7.2 Step 1.1 – Contract hand-over

Person responsible: Sourcing Lead

When the sourcing process ends, the Sourcing Lead must conduct a handover meeting of the signed contract to the Contract Manager. This includes the following:

- request Contract Owner to appoint a Contract Manager for the contract (if one has not been appointed already)
- review and document scope and expected outcomes for the contract
- ensure the contract is registered in the electronic contract management system
- hand-over key contractual documents to the Contract Manager (as per the following table).

Step 1.1 Contract hand-over documents
Signed contract
Health and safety requirements *(summary where applicable)*
Supplier proposal
Draft Contract Management Checklist or Contract Management Plan including details of: • Contract classification based on value/risk • Contract scope and objectives • Expected deliverables and milestones • Payment terms • Insurance and securities provided • KPIs and performance measures/service levels (where applicable)
Risk assessment (if previously conducted)
Contract implementation plan (if applicable)
Documentation confirming contract award
Certificates of currency of insurances
Any other documents (e.g. securities such as bank guarantees etc.)

Handover can occur by the sourcing lead physically handing over hard copies, if any, and providing instructions on where to locate documents in electronic format.

7.3 Step 1.2 – Classify the contract using value/risk assessment

Person responsible: Sourcing Lead

Classifying contracts based on their value and risk will help Contract Managers to identify the key activities to focus on for a particular contract. The Sourcing Lead must complete a value/risk assessment to classify the contract based on its value and risk/strategic importance for the University. It is recommended that the **value risk matrix** is used for this purpose (Figure 3).

This will help the Sourcing Lead identify whether a contract management checklist or contract management plan is required for the contract. Where a contract management plan is required, understanding the value/risk assessment of the contract will inform the approach to contract management, with areas of focus to be captured in the draft contract management plan.

A copy of the value/risk assessment for the contract should be kept with the contract records (or as part of the contract management plan).

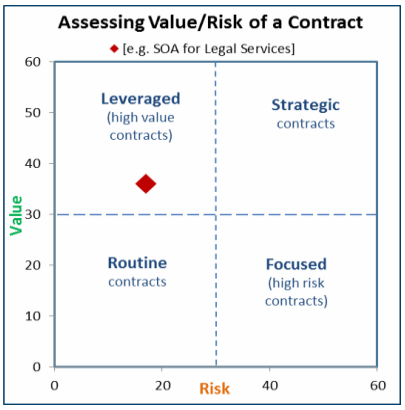

Figure 3: Value/Risk Assessment

Contracts can be classified as either routine, focused/leveraged or strategic:

Step 1.2 – Classifying contracts based on value/risk assessment	
Routine	• Low value, low risk contracts. Usually transactional in nature. A 'light touch' approach is recommended (i.e. doing the minimum).

Focused/ Leveraged	• Any contract that is not classified as 'routine' or 'strategic'. They are usually either of higher value or higher risk than routine contracts. These contracts will require a contract management plan, but judgment can be exercised as to which aspects of the contract require more focused management. For example:
	  • the priority for managing contracts that are high risk will be to focus on contract management activities that will help minimise risk (e.g. closely monitoring performance against KPIs, regular reporting and meetings with the supplier etc. to pro-actively address any issues about performance)
	  • for contracts that are high value (but low risk), the focus will be on how to leverage the value as much as possible (e.g. monitoring spend, leakage, application of rebates, volume discounts etc).

Strategic	• Strategic contracts are high value and high risk to the University. These contracts require the most amount of rigour and attention to manage the contract. Experienced Contract Managers should be allocated to these contracts and detailed contract management plans are required.

7.4 Step 1.3 – Confirm contract management roles

Person responsible: Contract Owner (CO)

The Contract Owner must assign the personnel that will be responsible for the contract management role – Contract Owner and Contract Manager. In addition, they must ensure that the people assigned understand their respective roles and responsibilities (refer to Appendix A – RACI for details of the key roles and responsibilities).

It's important that the right people are assigned to the right roles. In order to ensure effective team performance, consider the following when selecting a contract management team:

- Do you need someone with specialist skills and experience to manage the contract (e.g. to manage strategic contracts)? You may need to look outside of the University for this expertise.
- Do the people have the required experience, knowledge and authority for the role given the contract classification and risk profile?
- Do they have enough time to undertake this role?
- Can one person assume multiple roles?
- Are they willing to take accountability for this role?

7.5 Step 1.4 – Finalise the Contract Management Plan

Person responsible: Contract Manager (CM)

A contract management plan (CMP) contains key information about how a contract will be managed. It establishes systems and processes to ensure that the supplier and the University comply 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.

A draft of the CMP should have been developed during the sourcing process by the Sourcing Lead. Throughout the sourcing process, the Sourcing Lead will gain valuable information about the arrangements under the contract that will be important to reflect in the CMP, such as:

- detailed knowledge of the goods/services purchased under the contract and the objectives of both parties
- issues raised by the supplier that were negotiated as part of the contract
- performance measures and governance frameworks developed and agreed with the supplier
- 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.

The Contract Manager is responsible for finalising the CMP during the contract set-up step.

For routine contracts, a **Contract Management Checklist** can be completed instead of a detailed CMP. For all other contracts, a **Contract Management Plan** should be used.

7.6 Step 1.5 – Set-up information management

Person responsible: Contract Manager (CM)

The Contract Manager must establish a contract information record structure (Figure 4) within the University's systems with the correct access controls. The Contract Manager must ensure the following documentation is complete and in place.

- signed contract
- approved bank guarantees (physical paper copy and electronic copy where applicable)
- certificates of currency of insurances (where applicable)
- scope of work (if separate to the signed contract)
- supplier proposal /tender response (where applicable)
- tender documents issued by the University (where applicable)
- contract management plan or contract management checklist.

Figure 4 Recommended contract information record structure

The Contract Manager must also:

- If there is a hard copy of the contract, lodge the hard copy with Corporate Records
- Provide the Legal Office with an electronic copy of the contract
- Ensure that the contract has been set up in T1-Financials.

The Contract Manager can delegate these administrative tasks in some circumstances.

7.7 Step 1.6 – Conduct kick-off meeting

Person responsible: Contract Manager (CM)

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 award. Some contracts (e.g. routine contracts) don't warrant having a kick-off meeting. Exercise judgment as to when a kick-off meeting will be a worthwhile use of time, depending on the contract.

The Contract Manager and supplier representative must attend the kick-off meeting. Any key stakeholders 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, taking minutes and distributing the completed minutes to all parties. The Contract Manager can delegate the task of recording and distributing minutes in some circumstances.

Use the **contract kick-off meeting template** for guidance.

8 Phase 2 – Contract management

8.1 Summary

Contract management is the key step to manage the contract in order to successfully deliver the goods/services at the agreed level and costs, to the agreed timeframe, with minimal risks.

Phase 2 – Contract management summary	
Why is contract management important?	• To effectively deliver contracted goods/services at agreed levels. • To ensure ongoing contract compliance and performance. • To maintain relationship with suppliers without formal mediation or litigation. • To effectively deliver contracts at or under agreed costs/rates.
What does contract management deliver?	• Enables the University to enforce and fulfil the contractual obligations of the supplier and buyer. • Correct reporting to key stakeholders. • Mechanisms to establish changes to the contract and resolve disputes.
What are the risks if the contract management is not performed?	• Disruption of supply of goods or services. • Increasing disputes and contract issues. • The University may be exposed to potential claims. • Issues can be escalated to the wrong individuals and/or at the wrong time placing an unnecessary burden on management. • Reputational damage for the University and the supplier. • Value for money is not maximised. • Forecast savings are not realised.

The following tools and templates are provided to assist with performing steps in Phase 2:

Phase 2 – Contract management tools and templates	
Contract performance review meeting template	Support the contract manager to conduct and document a contract performance review meeting.

8.2 Step 2.1 – Manage performance (establish KPIs)

Person responsible: Sourcing Lead & Contract Manager (CM)

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 the University.

The KPIs to be measured in the contract should be identified in the sourcing step, before the contract is signed. 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.

As part of the contract management plan development, the Contract Manager will need to determine if any additional measures are necessary to track performance.

Key components of an effective performance management approach are:

- development of appropriate/effective KPIs aligned with contract objectives
- setting up clear/suitable targets
- defining the monitoring and reporting processes.

Example of KPIs	
Quality	Level of quality of the goods/ services delivered.
Outputs	Total output delivered by the supplier to deliver the contract.
Productivity	Measures the output produced/delivered per unit of input (e.g. number of services performed per day/week).
Cost	Total cost incurred to deliver a good/service.
Savings	Total savings delivered by the supplier to deliver the contract.
Responsiveness	Lead-time to respond to requests.
Customer delivery	% of orders delivered on time.

The **Contract KPIs development template** is recommended for developing contract KPIs.

8.3 Step 2.1 – Manage performance (reviewing performance measures)

Person responsible: Contract Manager (CM)

Over time the Contract Manager should review the validity of performance measures from a contract. 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 parties to the contract
- a change in management (including direction and focus)
- modification or introduction of new legislation or University 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, or is it performance management for performance management sake?
- 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?

If necessary, amend the current contract through the contract variation process to include the updated KPIs.

8.4 Step 2.1 – Manage performance (monitoring)

Person responsible: Contract Manager (CM)

The Contract Manager should collect performance data based on KPIs in the agreement and contract management plan. 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 stakeholder behaviour 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 regular basis.

The Contract Manager should establish a reporting process that is appropriate for the contract based on its value and risk. See example below for guidance:

Performance monitoring - reporting			
	Routine contracts	**Leveraged or Focused contracts**	**Strategic contracts**
Establish contract reporting process	Optional	Required	Required
Frequency	By exception	Quarterly	Monthly / Bi-monthly
Audience	• Key users • Supplier	• Contract Owner • Supplier • Contract users	• Contract Owner • Supplier • Contract users

In addition, the Contract Manager should conduct regular contract performance reviews. Guidelines for these meetings (informal and formal) are shown below:

Meetings to review contract performance			
	Routine contracts	**Leveraged or Focused contracts**	**Strategic Contracts**
Informal review meetings	As required	Recommended quarterly	Recommended monthly
Formal review meetings	Optional	Required Bi-annually or annually	Required Quarterly or bi-annually
Recommended attendees	• Contract Manager • Key users (optional) • Supplier	• Contract Manager • Key users • Supplier	• Contract Owner • Contract Manager • Key users • Supplier

The recommended method for conducting a formal contract performance review is via face-to-face meetings between the customer and the supplier using the **contract performance review meeting template**.

Contract performance review meetings should:

- be chaired by either the Contract Owner or Contract Manager
- discuss issues openly and honestly
- be based on facts and data
- avoid hidden agendas
- record and communicate meeting results, measures and actions
- share relevant points with key stakeholders.

The Contract Manager should use the following checklist to prepare for the meeting:

Pre-meeting activities	Responsible
Collect KPI information	CM
Review previous meeting actions	CM
Confirm meeting frequency, date and location	CM
Set meeting objectives	CM
Develop meeting attendee list and agenda	CM
Develop meeting materials (e.g. presentation)	CM

The following structure is recommended to be used as agenda for the meeting:

Example agenda for contract performance review meeting	Responsible
Introduction/agenda	CO/CM
Status of action items	CM
Health, safety and environment	CM
KPIs and performance highlights	CM
Risks, issues and complaints (customer perspective)	CM
Risks, issues and complaints (supplier perspective)	Supplier
Benchmarking/best practices	Supplier/CM
Opportunities (technical/innovation)	Supplier
Performance improvement plans	CM/Supplier
Any other business	CM
Wrap-up/action items	CM

8.5 Step 2.1 – Managing underperformance

Person responsible: Contract Manager (CM)

In 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.

Formal discussions should take place between appropriate University personnel, such as the Contract Manager, University Lawyer, Senior Procurement Officer, Finance, WHS and the supplier to:

- discuss the specific noncompliance 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.

Underperformance 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.

8.6 Step 2.2 – Contract administration (record management)

Person responsible: Contract Manager

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 to enable a single source of truth.

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.

The following document types represent the potential records that may be required to be maintained and controlled:

- contract documents
- insurances, bank guarantees and indemnities
- sourcing documents
- plans and schedules
- safety management plans
- variation schedules and support information
- project correspondence (in and out)
- performance reviews (including contract performance reviews, performance reports)
- meeting minutes and other records
- financial control (including financial management spreadsheet, invoices, purchase orders and work orders)
- plant and equipment schedules
- employee records
- supplier issues
- claims communication
- formal letters to suppliers (e.g. performance issues letters and complaints).

8.7 Step 2.2 – Contract administration (financial administration)

Person responsible: Contract Manager

The Contract Manager should monitor the contract spend throughout the contract lifecycle.

The contract information in the T1 – Financial 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 will issued unless the ACV is revised.

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

The Contract Manager should undertake the following activities depending on the contract classification:

Financial administration			
	Routine contracts	**Leveraged and Focused contracts**	**Strategic contracts**
Update contract cost control	--	Quarterly	Monthly
Report contract cost control to:	--	• Contract Manager • Contract Owner	• Contract Manager • Contract Owner

8.8 Step 2.2 – Contract administration (risk management)

Person responsible: Contract Manager (CM)

The Contract Manager should actively compile and manage risks throughout the life of the contract. Where the contract is a leveraged/focused or strategic contract, a Risk Register should be competed for the contract. The Risk Register 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.

8.9 Step 2.3 – Manage complaints/disputes

Person responsible: Contract Manager (CM)

Proactive and planned contract management can prevent disputes from occurring. Formal dispute resolution (e.g. 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.

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 escalate the matter as follows:

- Contract Owner
- Executive
- Vice Chancellor

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 compliance
- work with the supplier to collectively develop a mutually agreeable solution to address the issue
- seek assistance from subject matter experts to ensure the agreed plan is suitable
- escalate the issue if the scope of the issue is outside their authority.

8.10 Step 2.4 – Manage contract extension, renewal or variation

Person responsible: Contract Manager (CM)

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 (e.g. changes in industrial relations legislation)
- demand fluctuations
- specification revisions and adjustments
- requests for additional goods or services outside the original contract scope
- exchange rate fluctuations
- changes in external pricing drivers (e.g. commodity prices or labour rates).

The process for managing and approving variations to contract schedules and pricing should be determined during the sourcing process.

Before a contract is extended or renewed, the procurement principles as set out in the Procurement Policy must be considered and a procurement process undertaken if necessary.

Any variations, extensions or renewals must be approved in accordance with the University's delegations.

The Contract Manager should keep on file any relevant documentation related to contract extensions, renewals and variations. This includes signed letters, records of conversations and emails to support contract variations.

9 Phase 3 – Contract close-out

9.1 Summary

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/services.

Phase 3 – Contract close-out summary	
Why is contract close-out important?	• To set a clear termination of the contract with the supplier. • To ensure a smooth transition to any new/alternative suppliers.
What does contract close-out deliver?	• It manages the 'close-out' of a contract in the correct way tominimise risks.
What are the risks if contract close-out is not performed?	• Open contract obligations and liabilities. • Significant financial exposure. • Contractual claims. • Operational impacts if transition is not properly managed.

The following tools and templates are provided to assist with performing steps in Phase 3:

Phase 3 – Contract management tools and templates	
Lessons learned log template	Document lessons learned throughout the contract lifecycle.
Close-out checklist	Confirm all close-out activities have been performed.

9.3 Step 3.1 – Final performance review

Person responsible: Contract Manager (CM)

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 final performance 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
- University performance
- satisfaction of the users
- contract variations
- disputes that arose during the contract
- budgeted versus actual costs
- 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 the other contracted party or parties. This will enable any future arrangements to better meet the needs of the University.

9.4 Step 3.2 – Lessons learned

Person responsible: Contract Manager (CM)

Once a contract has concluded it is important that the contract is reviewed and lessons are logged. This supports the University'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 facilitate a meeting/discussion using the **lessons learned log template** with key personnel involved in the contract (including Contract Owner, Contract Manager, supplier and key users) to brainstorm the lessons learned throughout the contract lifecycle. The Contract Manager should use the following questions to facilitate the discussion:

- What worked well? What did not work well?
- What changes are recommended for next time?
- How might problems be avoided or resolved more quickly?
- What did the University learn about the supplier?
- What did the University learn about the contract?
- What did the University learn about the category?
- What lessons might affect how the University agrees future terms and conditions?

9.5 Step 3.3 – Contract close-out (managing warranties/defects)

Person responsible: Contract Manager (CM)

Upon final completion of contract delivery of goods or services, the Contract Manager must conduct appropriate inspection/testing to check for any defects. Where the Contract Manager identifies a defect in the deliverables from the supplier, the Contract Manager should manage the defect in accordance with the terms of the contract.

9.6 Step 3.4 – Contract close-out (managing transition)

Person responsible: Contract Manager (CM)

In certain circumstances, the need for the contracted goods/services will continue, however, another entity may be engaged to provide the similar set of goods/services.

The transition period from one contract to another can be a high-risk period for the University. It is the responsibility of the Contract Manager to develop a transition plan. The Contract Manager should consider the following aspects when developing the 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 size and complexity of the contract, the transition period may take several months and require ongoing management by the Contract Manager.

9.7 Step 3.5 – Contract close-out (finalising contract)

Person responsible: Contract Manager (CM)

At the conclusion/expiry of the contract, the Contract Manager must formally close the contract according to the agreed terms and conditions. The Contract Manager should use the **Close-out checklist** to document the close-out activities. The following steps should be considered when finalising a contract:

- verify all deliverables/work has been completed (technical and financial completion)
- verify contractual requirements have been effectively met
- complete and verify handover of deliverables (where relevant)
- obtain all final reports, documentation and clearances from the supplier
- make arrangements in regard to warranties available under the contract
- settle any outstanding claims
- confirm all contractual obligations have been fulfilled and the supplier has submitted all outstanding invoices
- terminate all access arrangements (e.g. rights to site, premises and systems)
- demobilise and transition of staff
- complete the **close-out checklist**
- prepare a final account statement indicating all amounts owed by or to each party, including claims. The final account statement will be sent to the supplier for acceptance and following agreement all outstanding amounts will be paid and claims settled.
- for some contracts, the Contract Manager must issue a Final Completion Certificate to formally recognise the completion of the works, that all contractual obligations have been fulfilled.

Appendix A – RACI

Activity	Sourcing Lead	Contract Owner	Contract Manager	Supplier	Key users
1.1 Contract hand-over	R/A	C	I		I
1.2 Define contract classification	R	I	A		
1.3 Confirm contract management roles		A	R		I
1.4 Finalise contract management plan	R	I	A	C	C
1.5 Set-up information management structure			R/A		
1.6 Conduct kick-off meeting	C	C	R/A	C	C
2.1 Manage performance		I	R/A	C	C
2.2 Contract administration			R/A		
2.3 Manage complaints		A	R	C	C
2.4 Manage contract extension, renewal or variation		A	R	C	C/I
3.1 Final performance review		A	R	C	C
3.2 Lessons learned	C	C	R/A	C	C
3.3 Contract close-out			R/A	I	I

R – Responsible
A – Accountable
C – Consulted
I – Informed