Contract management guide

Templates

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# Template A: Contract management plan

(Refer to Chapter 5 of the *Partnerships Victoria* Contract management guide for more on the contract management planning process.)

The suggested structure for the contract management plan is outlined below. As a relatively high-level document, its recommended size is limited to 30 pages, excluding schedules.

### Contents

1. Introduction and purpose

1.1 Introduction

1.2 Purpose

2. Governance and resourcing

2.1 Internal State project governance

2.2 Departmental responsibilities

2.3 Project team management structure

2.4 Contract management budget

2.5 Delegation arrangements

2.6 Probity protocols

2.7 Knowledge management tools

2.8 Register of key documents

3. Project context

3.1 Project objectives and key areas of focus

3.2 Project background

3.3 Project scope

3.4 Project timeframes

3.5 Project cost

3.6 Disclosure of project agreement

4. Key project commercial features

4.1 Project summary

4.2 Parties to the project deed and other project contracts

4.3 Key dates in the project deed

4.4 Project contractual relationships

4.5 Risk transfer

4.6 General obligations of private party

4.7 General obligations of the government party

4.8 Payment mechanism and performance regime

4.9 Default, termination and step‑in regime

4.10 Structure of private finance

4.11 Government party rights at expiry of contract

4.12 Additional/project specific contract provisions

4.13 Audit and inspection rights of the State

5. Contract management strategy

5.1 Objectives

5.2 Strategy

5.3 Key activities

5.4 Key contacts and personnel

5.4 Contractually defined contract management roles

5.5 Contractual communication forums

5.6 Contract risk management

5.7 Change management

5.8 Stakeholder communications and media protocol

5.9 Process for review and benefits evaluation

5.8 Transitioning and succession planning

6. Proposed structure of the contract administration manual

Schedule 1 – Project team management structure (construction phase)

Schedule 2 – List of advisers engaged during procurement stage

Schedule 3 – Contract management activities

Schedule 4 – List of project documents

Schedule 5 – Sample project control group meeting agenda

# Template B: Contract administration manual

(Refer to Chapter 6 of the *Partnerships Victoria* Contract management guide for more information)

The suggested structure for the contract administration manual is outlined below.

The contract administration manual is to be completed before the beginning of the service delivery phase. As the contract administration manual needs to be detailed and must be a living document to retain its usefulness, its size may exceed 100 pages, excluding attachments.

While responsibility for developing the manual lies with the contract management team, parties such as the procurement team, advisers and the government party operator (where relevant) should be consulted in its drafting.

### Contents

**Part A: Preliminary details**

1. Glossary

2. Introduction

2.1 Purpose and scope of manual

2.2 Responsibility for developing the manual

3. The project and its status

3.1 Summary of the deal

3.2 Parties to the project deed and other project contracts

3.3 History of the project to date

3.4 Key dates

3.5 Unresolved issues at commercial acceptance

4. The project in the context of the broader service delivery framework

4.1 Role of the project within the government’s service delivery framework

4.2 Stakeholders and communication arrangements

**Part B: Governance and resourcing**

5. How will the government party’s role be performed?

5.1 Contract management team staffing

5.2 Operational budget

5.3 Governance arrangements

5.4 Delegations/authority

5.5 Internal reporting

5.6 Knowledge management tools

**Part C: Contract management strategy and framework**

6. Contract management strategy

6.1 Approach to managing the contract

6.2 Key relationships and forums for communication

7. Dispute resolution

7.1 Contractual provisions and their implementation

7.2 Actions to date and lessons learnt

8. Risk analysis

8.1 Risk register and its review and update

8.2 Issue escalation to other government entities

8.3 Contingency framework

**Part D: Contract obligations and management processes**

9. Obligations of the Government Party

9.1 Key activities and obligations

9.2 Other relevant government party entities/persons

10. Reporting obligations of the private party

11. Contract variations

12. Invoicing, payment and abatement

12.1 Regular services payments and abatement provisions

12.2 Invoicing submission and review and payment processes

13. Public communications

14. Change events

**Part E: Ongoing review and development**

15. Project reviews

15.1 Project benefit evaluation

15.2 Contract management review

16. Updating the contract administration manual

**Appendices**

Attach as relevant

# Template C: Obligations register

(Refer to section 6.4 of the *Partnerships Victoria* Contract management guide for more information.)

The suggested structure for the obligations register is outlined below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Obligation/issue/ risk | Who? | What? | When? (Note 1) | How? | Status |
| **Example:** Government party to provide unencumbered land for the project | Contract director | Confirm that all land required for the project has been acquired and that all interests in that land have been extinguished | By [time/date] (**occurrence**: once only) | Liaise with [ ]; etc. | Contacted [ ] on [date]. [ ] will check status and respond by [date]. |
| **Example:** Accuracy of private party’s service performance data | Contract director | Spot check performance data against other information on KPIs | Each calendar quarter (**Occurrence:** Recurrent) | Review records of end users of services etc. | To commence upon commencement of service delivery phase |
| **Example:** Serious service delivery interruption occurs | Contract director | Implement business continuity plan | Within [time] of becoming aware of interruption (**occurrence**: incident based) | Refer to separate business continuity plan | Service delivery has not commenced |
| etc. |  |  |  |  |  |

Note 1: Identify when the action must be completed, and whether it is required once only, recurs at fixed or variable intervals, or must occur in response to specific events or incidents. Doing this will assist the contract director in identifying actions that remain relevant when the table is updated.

# Template D: Delegations register

(Refer to section 3.4 of the *Partnerships Victoria* Contract management guide for more information.)

The suggested structure for the delegations register is outlined below.

|  |  |  |  |
| --- | --- | --- | --- |
| Contract clause | Function | Delegated to | Source of delegation |
| [XX (modifications)] | [The government party may request modifications by notice to the contractor.] | [Secretary] | Contract clause ZZ.1; Schedule A |
| [YY (audit)] | [The government party may require the contractor to provide an audit report.] | [Contract administrator] | Contract clause ZZ.2; Schedule B |
| etc. |  |  |  |

# Template E: Risk matrix

(Refer to section 5.4 of the *Partnerships Victoria* Contract management guide for more on analysing information, including information about risks.)

The suggested structure for the risk matrix is outlined below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Risk category | Description | Consequence | Likelihood | Severity | Allocation | Mitigations and controls (Note 1) |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  | **Sample only** | | |  |  |

Note 1: Although a risk may be contractually allocated to the private party, for contract management purposes the government party needs to consider mitigations and controls for any residual risk to the government party and controls to prevent inadvertent take‑back of the allocated risk. (Residual risk to the government party and take‑back risk are discussed in section 2.6 of this guide.)

# Template F: Issues log

(Refer to sections 4.2–4.3, 5.4, 6.6–6.8 of the *Partnerships Victoria* Contract management guide for more information.)

The suggested structure for the Issues log is outlined below.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Issue ID | Description | Reported by | Date/time reported | Severity | Cause | Proposed resolution | Person responsible for resolution | Date/time resolved |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Sample only** | | | | | | | | |

# Template G: Construction phase reporting guidelines

(Refer to Chapter 10 of the *Partnerships Victoria* Contract management guide for more information)

In a *Partnerships Victoria* project, the overall responsibility and risk associated with construction will typically reside with the private party, who will pass this risk on to the construction contractor via a fixed price lump sum turnkey contract.

In this complex and high risk phase of the project lifecycle the government party should still monitor:

* the private party’s construction progress and performance; and
* the government party’s performance of its roles and responsibilities during the construction phase.

The contract will require the private party to provide regular reports (usually monthly) to the government party in relation to construction progress and performance. The content of these reports will be set out in the contract and is likely to include (at a minimum) the following information:

* project progress, including status of design and construction activities compared to program –
  + significant events achieved;
  + significant events that have not been achieved and the action being taken;
  + significant events in the near future, particularly where they require specific action;
  + progress against the development, design and construction programs;
* planning, building regulations, EPA consents (if required) and fire officer consents;
* public utilities;
* project master program (updated in accordance with the contract);
* design, construction and commissioning programs;
* the status of each design package and its progress through the design development process;
* tendering report including status report on subcontracts;
* inspections, testing, samples, mock‑ups and acceptance;
* the status of the private party’s (and its subcontractor’s) operational readiness and commissioning activities;
* any government party change requests;
* any service company change requests;
* financial report, incorporating status and cash flow for the project and availability of funds statement;
* risk report;
* health and safety report; and
* insurance.

An independent reviewer may also have a role in monitoring construction progress.

In addition to conducting a thorough review of the private party’s report and reports from any independent reviewer, the contract director must (using the rights available under the contract) individually evaluate and monitor progress.

The project director and/or contract director should regularly report to senior management and to government party stakeholders on the private party’s construction progress and performance and the government party’s performance of its roles and responsibilities during the construction stage. In most projects, these reports are submitted to the steering committee, which continues to meet through the construction stage.

While the private party’s reports to the government party will necessarily contain a large amount of detail, the contract director’s reports to senior management and the government party stakeholders must provide clear and concise information on the status of the project, highlighting key issues so that these can be dealt with in a timely manner. A ‘traffic light’ system of colour‑coding performance against the contractual targets can be a valuable visual tool for conveying performance information.

Commissioning and hand‑over reports

Commissioning is a key project milestone and must be planned well in advance and implemented consistent with the project deed requirements.

The objective of commissioning is to ensure that the project assets are equipped and operating as planned upon completion of construction. Commissioning, completion and hand‑over are very much interlinked.

Some *Partnerships Victoria* projects involve ‘core’ service delivery by the government party and non‑core or ancillary service delivery by the private party. In these projects, the government party’s involvement in commissioning planning and hand‑over becomes much more pronounced than if the private party delivers the whole of the services. In contrast, in projects that will be operated by the private party, that party’s operational readiness, ramp‑up and commissioning responsibilities are more significant and their development and implementation should be carefully monitored by the government party.

The main aspects of commissioning, completion and hand‑over will generally cover the following reporting requirements:

* preparation of lists identifying deficiencies/defects;
* program for carrying out all remedial and completion work;
* status of training, including training of operating staff;
* the provision of:
  + as‑built drawings and installed record drawings, plans, schedules, specifications, performance data, test results;
  + commissioning and test reports, calibration records, operating and maintenance manuals, including related health, safety and emergency procedures;
  + planned maintenance schedules/asset management plan;
  + statutory inspections and approvals;
* certification of and possession at each stage; and
* copies of any reports (such as independent engineer’s reports) required by the financiers.

# Template H: Service delivery phase reporting guidelines

(Refer to Chapter 11 of the *Partnerships Victoria* Contract management guide for more information on internal reporting requirements.)

This template provides guidance on content for a contract director’s regular reports to senior management during the service delivery phase. These reports should be developed in accordance with Appendix C.

Regular reporting during each private party performance reporting and payment cycle

The following table sets out suggested content for a contract director’s regular reports to senior management during each private party performance reporting and payment cycle. The contract director should adapt this content as appropriate for the specific project.

| Report section | Guidance on content |
| --- | --- |
| Background and approval requirements | Information on the purpose of the report and a summary of any approvals being sought, including the timeframe in which any action is required. |
| Project performance | Summary information on the delivery of overall service outcomes from the project, focusing on whether the project is meeting the relevant need. |
| Service delivery performance | Summary information on the private party’s performance against the KPIs or service requirements during the relevant performance period. The information should be concise, yet sufficient for senior management to understand any material performance issues, particularly where there is a potential impact on payments or where substandard performance may contribute to future default triggers under the contract.  A ‘traffic light’ system of colour‑coding performance against the contractual targets can be a valuable visual tool for conveying performance information. |
| Performance trends | Information on trends in performance against the KPIs. The appropriate period over which trend performance should be examined will depend upon the specifics of the project, and will be influenced by such factors as:   * how long the project has been in its service delivery stage; * past performance; and * emerging issues (for example, a significant recent increase in demand for the infrastructure may imply the need to focus on trends over the period since that increase). |
| Risks borne by the government party | Information on managing risks allocated to the government party.  Information on any material new risks or material changes in the likelihood or potential consequences of any risks allocated to the government party. |
| Payment calculation: | An explanation of the calculation of the relevant payment, validating that it is consistent with the requirements of the contract. The explanation will typically include the following components:   * Base payment: The base amount payable under the *Partnerships Victoria* contract for the relevant period. * Indexation: An explanation of how any relevant indexation regime under the *Partnerships Victoria* contract has been applied to the base payment. * Abatements: A description of any abatements for the relevant period and how they were calculated. This should be linked to the discussion of service delivery performance. * Adjustments: An explanation of any other payment adjustments, for example, any costs that are passed through to the government party under the contract. |
| Consultation | Information on consultation with other parties in relation to the matters discussed in the report. |
| Recommendation | If required, a recommendation for action to be taken by senior management. For example, a recommendation that the relevant payment be approved. |

Annual reporting

The following table sets out suggested content for a contract director’s annual reports to senior management in relation to broader contractual matters and the ‘financial health’ of the private party. The contract director should adapt this content as appropriate for the specific project.

| Report section | Guidance on content |
| --- | --- |
| Background and approval requirements | Information on the purpose of the report and a summary of any approvals being sought, including the timeframe in which any action is required. |
| Strategic performance and realisation of project benefits | Information on project outcomes and the realisation of the benefits of the project. |
| The private party’s financial position | Information on the private party’s (and, where relevant, key sub‑contractors’) financial position and cash flows, in particular:   * commentary on the most recent audited accounts; * identification of any unexpected cash flows or transactions; and * identification of any implications for the government party, including:   + any concerns as to the current or future solvency of the private party or any key subcontractor; and   + impacts on any risk or revenue sharing by the government party, such as in projects in which the government party shares in additional revenues generated by the private party in excess of its base case revenues. |
| The private party’s management of transferred risks: | Information on the private party’s management of those risks which are transferred to the private party and for which there is a significant residual risk to the government party if specific risk management actions are not undertaken by the private party. Possible examples include the following: management of industrial relations issues or accreditation.   * Compliance with the output specification and services specification: Information on the contract director’s program of monitoring the private party’s compliance with the overall output specification and services specification, including any material non‑compliances identified and corrective action taken. * Insurance: Confirmation that the private party has renewed its insurance policies in accordance with the contractual requirements, including information on any material changes in insurance coverage and, if the government party shares insurance premium risk, information on the cost (if any) to the government party and the steps taken by the contract director to verify that the costs reflect current market conditions. * Refinancing: If the private party will need to refinance its existing debt (typically because its existing debt finance is for a term significantly shorter than the term of the *Partnerships Victoria* project deed), information should be provided on steps that the private party is undertaking to ensure that it will be able to refinance within the required timeframe. * Accreditation/certification: If the private party (or a key subcontractor or employees of either of them) is required to maintain any accreditation or certification, information should be provided on the good standing of that accreditation or certification. * Asset lifecycle management and maintenance: Information on the contract director’s program of monitoring the private party’s asset lifecycle management and maintenance activities, including any identified non‑performance and corrective action taken. |
| The private party’s, and key subcontractors’, organisational structure, and the quality of their management and operating personnel | Information on the private party’s, and key subcontractors’, organisational structure, and the quality of their management and operating personnel, particularly any changes that may create an increased risk of future non‑performance. |
| Government’s relationship with the private party | Information on the government party’s relationship with the private party at the various levels (strategic, operational etc.), particularly any changes that may create an increased risk of future non‑performance. Where relevant, information on relationships with sub‑contractors and investors should also be included. |
| Consultation | Information on consultation with other parties in relation to the matters discussed in the report. |
| Recommendation | If required, a recommendation for action to be taken by senior management. |

# Template I: Reporting to DTF

(Refer to section 3.5 and table 3.1 of the *Partnerships Victoria* Contract management guide for more on Reporting to the Department of Treasury and Finance.)

This template provides guidance on content for a contract director’s regular updates to DTF. These reports should be developed in accordance with Appendix C and the timing and format in which the updates are to be provided should be agreed with DTF.

|  |  |
| --- | --- |
| Report component | Guidance on content |
| Service delivery | * + 1. What are the contract director’s and users’ levels of satisfaction with service delivery?     2. Has there been any:        1. failure by the contractor to meet the KPIs;        2. abatement of service payments;        3. other non‑compliance by the private party with the contract; or        4. requested or agreed variation or State initiated modifications that will affect the cost to the Government of the project?     3. Do sufficient meetings/site inspections occur between the government party and the private party for the contract director to be satisfied that there is a joint understanding of the quality of service delivery? |
| Financial health | Are there any concerns about the financial health of the private party or any key subcontractors? |
| Management quality | Are there any concerns about the management quality of the private party (both the day to day management of the private party, and management at the director or ‘equity’ representative level) or any key subcontractor? |
| Relationship quality | * + 1. Are there any concerns about the Government’s partnership relationship with the private party or any key subcontractor?     2. Are meetings between the government party and the private party functioning effectively? Are there any current or potential disputes? If so, how are these being managed? |
| Risk outlook | Are there any significant emerging risks to the contract or the project’s sustainability that are not identified above and that you have not previously advised to DTF? |
| Key events | Are there any key events coming up in the short term? E.g. refinancing, reviewable services, modifications |
| Other contract management issues and feedback | Are there any other issues that DTF should be made aware of, or may be able to assist with? (refer table 3.1 of the guide)  Are there any other contract management issues that must be consulted with DTF or are recommended to be consulted with DTF?  Is there any other contract management information that DTF may be able to provide you with to assist you to manage the Partnerships Victoria project? (including information on contract management training courses or forums?)  Do you have any suggestions or feedback on how to improve any Partnerships Victoria contract management policy, guidance, templates, tools or processes? |

# Template J: Delegation entity reporting template

(Refer to section 3.4 of the *Partnerships Victoria* Contract management guide for more on delegation reporting requirements.)

This template provides guidance on content for regular reports to the contract director by a government party entity that has been delegated the responsibility for operating the infrastructure. These reports should be developed in accordance with Appendix D and the timing and format in which the reports are to be provided should facilitate the contract director’s reporting to senior management and DTF.

Regular reporting during each private party performance reporting and payment cycle

The following table sets out suggested content for regular reporting to the contract director by a government party entity with delegated responsibilities in relation to a *Partnerships Victoria* project, as part of the regular performance reporting and payment cycle. The contract director should adapt and add to this content as appropriate for the specific project and to reflect the specific role of the delegation entity.

|  |  |
| --- | --- |
| Report section | Guidance on content |
| Project performance | Information from the delegation entity on the delivery of overall service outcomes from the project, to the extent that the delegation entity’s role enables it to make such an assessment, focusing on whether the project is meeting the relevant need. |
| Service delivery performance | Information from the delegation entity on the private party’s performance against the KPIs or service requirements during the relevant performance period, to the extent that the delegation entity’s role enables it to assess performance. In many cases, the delegation entity will provide information that assists the contract director to validate or challenge the private party’s self‑reporting of its performance against the KPIs. Less often, the delegation entity’s assessment will be the primary means of measuring performance against a KPI. |
| Performance trends | The delegation entity may be in a position to provide information on trends in performance against the KPIs, and it may be the party best placed to assess how these trends in performance are affecting service outcomes and the realisation of project benefits. |
| Risks borne by the government party | The delegation entity is likely to have a role in managing some or many of the risks borne by the government party in the project. It should provide information to the contract director to support the contract director’s risk monitoring and reporting to senior management. |
| Information related to payments | In some projects, the delegation entity will have delegated authority to take actions that have payment consequences under the *Partnerships Victoria* contract. For example, the delegation entity may have the right to request minor modifications that it funds itself. In such circumstances, the delegation entity should include in its reports to the contract director all information required by the contract director to appropriately calculate and manage the payments under the contract. |

Annual reporting

The following table sets out suggested content for reporting to the contract director by a government party entity with delegated responsibilities in relation to a *Partnerships Victoria* project, as part of the contract director’s monitoring of broader contractual matters and the ‘health’ of the private party. The contract director should adapt and add to this content as appropriate for the specific project and to reflect the specific role of the delegation entity.

|  |  |
| --- | --- |
| Report section | Guidance on content |
| Strategic performance and realisation of project benefits | Information on project outcomes and the realisation of the benefits of the project. In many projects, information from the delegation entity will be vital to an understanding of whether the project’s expected benefits are being realised. |
| The private party’s compliance with the output specification | The delegation entity may be in a position to provide information the private party’s compliance with the output specification, and it may be the party best placed to assess how any non‑compliances may affect service outcomes and the realisation of project benefits. |
| The private party’s, and key subcontractors’, organisational structure, and the quality of their management and operating personnel | The delegation entity is likely to have its own relationships with the private party, and its key subcontractors. It may therefore be able to provide important information to support the contract director’s monitoring and reporting to senior management in respect of the private party’s, and key subcontractors’, organisational structure, and the quality of their management and operating personnel. |
| Government’s relationship with the private party | The delegation entity’s own relationships with the private party will also enable it to provide the contract director with information on the quality of this relationship and relationships with subcontractors. |