 UP Building and Construction Pty Ltd

“Building dreams from the ground UP”

ABN 123 456 789

**Contract Management Policy and Procedures**

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1. Policy and Procedure Statement

Contract management is at the core of everything we do at UP Building and Construction. It sets out the obligations and conditions for all of our work and relationships.

This document identifies requirements for both client contracts and sub-contracts.

2. Scope

This document sets out the contract management procedures to be followed on all UP Building and Construction sites.

3. Policy Compliance

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| **POLICY DETAILS** | | | |
| **Policy Name** | Contract Management Policy and Procedure | | |
| **Effective Date** | 1 March 2015 | **Policy #** | 00105 |
| **Date of last revision** | 1 March 2021 | **Version #** | 3 |

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| **VERSION HISTORY** | | | | |
| **Version** | **Author**  **and position title** | **Revision Date** | **Description of change** | **Approved by name**  **and position title** |
| 1 | Orshy Fredricksen  Legal Consultant | 1 March 2015 | New policy and procedure | Charlie Fredricksen  CEO |
| 2 | Orshy Fredricksen  Head of Legal | 1 March 2018 | Review and expand to clarify scope (articulate worker types) | Charlie Fredricksen  CEO |
| 3 | Adam Webb  Head of Operations | 1 March 2021 | Review, update procedure component in line with site expansion | Orshy Fredricksen  Head of Legal |

4. Context

This contract management policy and procedure document references industry best practice in line with all relevant legislation and regulations. All must be applied. Where there is a conflict between this document and any legislation or regulations, the legislation or regulation takes precedence.

5. Client Contracts

**Drafting/Preparing contracts**

Contracts are to be drafted in consultation with clients, accommodating clients' needs. Open communication and transparency must be maintained throughout the construction project.

**Contract variation**

Variations are the changes by addition, alteration or omission to scope of works, with such variations changing the costs or schedule of the project. In general, contracts provide procedures to follow when variations are needed. Variations may be identified through consultations and meetings with relevant personnel. Some of the reasons for variations include the following:

* An addition or omission from the scope of work
* Changes in the quality or quantity of materials needed for construction
* Changes in design
* Changes in working conditions
* Changes in the commencement or completion date and the schedule.

If there are identified variations, these must be communicated with the contracting parties. Standard forms of contracts generally account for variation in its terms with methods of valuation included. There must be express clauses or terms in the contract where power to order variations are stated. Without such terms, then the contractor may legally reject the instructions to commence variations.

After checking if the terms for variation are present in the contract, you must submit a written notice of the work and price that must be approved first before starting the variations for the project. Negotiating the variations will require communicating with the contracting parties and presenting evidence of its necessity or inevitability. If the changes cause delay, a request for extension of time needs to be filed, approved, signed, and dated, as well.

Given the large implications variations may cause, negotiations on variations may be valued through the following:

* An agreement by the business or company and the contractor
* An external consultant hired for computing costs
* A contractor may prepare a quotation on variation to be submitted to the company
* A different method agreed upon by the company and the contractor.

If the variations are of the same nature, then valuations usually depend on the rates stated by the contractor in their tender. If the variations are of the same nature but cannot be found in the specifications or bills of quantities, then the profit, overhead costs, and direct costs have to be computed and taken into consideration as well.

During negotiations, it is important to take into consideration the effects of the variation on the contractor and the client. Increased rates and prices may cause significant reduction to the initial benefits expected. It is important that your expectations and perceptions are managed. Going into a negotiation with a negative perception from either party may result to an unproductive outcome since neither party will be willing to concede. It is important to present all evidence of mutual benefit from the variation and to ensure that the goals of the contract are mutually prioritised.

Once negotiations are finalised, and agreements are made. Documentation of the changes are crucial. You may consult your organisational policies and procedures for documenting variations to the contract. You may need to include meeting minutes and any correspondence you have regarding the issue.

**Extension of time (EOT)**

Unforeseeable delays are inevitable in construction projects and warrants an application for an extension of time (EOT). Example of unforeseeable events are the following:

* Force majeure
* Strikes
* Changes in the law or requirements
* Political unrest or terrorism
* Delays from the part of the subcontractor
* Delays caused by other parties when the contractor has exercised due diligence preventing so.

In such cases, the contractor sends a written notice to the project management or administrator with the details of what caused the delay and documents or evidence to support it. The management then determines if the reason for the delay is valid and warrants an extension of time. If the reason is considered valid, then the schedule and completion date will be adjusted.

There may be more than a single instance of delay, and some of them may be the fault of other parties. Usual cases of delay occur during the drafting of drawings and samples in the design phase.

Filing a claim for extension of time must be done immediately since recording all the details necessary for the claim may be time-consuming. To file a claim for extension of time, the following details must be included:

* When the delay occurred
* Why it occurred
* The tasks and scheduled activities that the delay affected
* Resources that were needed for the tasks involved
* Other activities on or off site that had to be carried out as a result
* Due diligence exercised by the contractor to have avoided or minimise such delay
* A solution for the delay and the affected plan
* Communications between the management and building team to avoid or minimise such delay

A claim for an extension of time must be clear, direct, accurate, and supported by records and photos. The claim must narrate what happened to have caused the delay and the consequences of the event.

There are three possible results to this:

1. The extension is granted, and a change order is issued.
2. The project manager submits a request for information to know more about the event and decide appropriately.
3. The request is denied.

**Finalising the contract**

Contract finalisation is the process followed to forming a written contract. The purpose of this is to ensure that all essential elements are in place to conclude a written agreement that protects the rights of the parties involved and clearly outlines the obligations agreed upon. Once you have selected and prepared the appropriate type of contract you may refer to existing contract templates and should be based on the solicitation documents with subsequent amendments.

A review of the contract should be done with a copy of the draft made available for concerned parties. The procurement officer will need to ensure that contracts are entered into by the organisation in accordance with its general conditions.

Here are some tips you can follow to be able to document contracts appropriately:

* Record the facts of each transaction
* Note the dates, exact time, and describe the process from the selection to the finalisation
* Essential to documentation is your name, position, department, contact information (email address and phone number). You should, as much as possible, be as explicit with the information you provide.
* Include your signature in your statement and the date.
* Make several copies of your report and give a copy to your manager or immediate supervisor and one to the human resources department.
* Keep extra copies of your files, the original drafts and the notarised documents.

6. Sub Contracts

**Calling for tenders for subcontractor operations**

SELECTION & CONTROL OF CONTRACTORS

All work that requires engaging contractors and subcontractors for any project over $100,000 will be advertised as public tender to ensure fair treatment. Successful applicant will need to meet organisational quality standards. Contractors must provide relevant documentation before commencing any work.

Up Building and Construction maintains a list of approved contractors and suppliers and contact them for any project under $100,000 without a public tender. To remain on this list, contractors must comply with the organisational requirements, including having up to date insurance coverage.

REQUIREMENTS FOR PURCHASING

When purchasing goods, the following requirements are met:

* All plant and equipment are to meet Australian Standards.
* Plant test certificates to demonstrate that they are being maintained in a safe manner.
* All PPE to meet Australian Standards.
* Chemicals are to be provided with latest copy of Safety Data Sheet.

When purchasing goods, the information provided to the supplier should consist of:

* Company details including an order number.
* Details of delivery address for goods –address for invoice.
* Details of goods being purchased such as manufacturer’s part numbers, description and quantity.

When receiving goods, they should be checked as follows:

* They are as requested and have applicable information.
* Guards are provided where applicable.
* Plant and equipment are safe to use.

7. Monitoring

The Head of Operations monitors implementation of this policy and reviews its contents for relevance and accuracy every three years or as needed.

8. Contact

Adam Webb – Head of Operations

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<<END OF POLICY DOCUMENT>>