

Contract Justification Guidelines

Section 1 - Purpose / Objectives

(1) This Guideline provides advice and assistance for Contract Managers on how to draft the document called the "Justification", an essential record required as part of the due diligence process for every Undertaking involving a Contract. It provides instruction on how to assess and quantify the resources that will need to be committed, the timeframes, and the deliverables and KPIs, all with respect to a Contract or Undertaking. It supports the:

- a. Contracts and Purchasing Policy ; and
- b. Contracts Procedure

Section 2 - Scope / Application

(2) This Guideline applies to:

- a. Contract Managers at VU.

Section 3 - Definitions

(3) Nil

Section 4 - Policy Statement

(4) Nil

Section 5 - Procedures

(5) Nil

Section 6 - Guidelines

(6) The Contract Manager must create an initial Justification before beginning to negotiate a Contract. This is necessary for each Undertaking, and may be necessary for each Contract (unless it is part of a suite of Contracts dealing with a similar issue).

(7) Preparation of the Justification requires the Contract Manager to fully understand the nature of the Contract and Undertaking (including the resources that will need to be committed, the timeframes, milestones, targets, standards and deliverables) to ensure the Contract achieves the purposes for which it was developed.

(8) The Justification must be retained as an essential record under VU's records management rules.

(9) The Contract Manager must review the Justification periodically throughout the Undertaking and update it as necessary to reflect changing circumstances.

(10) The Contract Manager must ensure that the Justification (and every update to it) is reviewed and approved by the person or people responsible for allocating the VU resources needed for the Undertaking to proceed.

(11) The Contract Manager must provide the Justification to everyone involved with the Contract and Undertaking, including to those VU specialty areas where seeking advice, to those deciding whether to enter into the Contract, and to the person executing the Contract. This is to ensure everyone fully understands the nature of the Undertaking, and can make an informed assessment of the benefit and risk to VU and the best interests of VU.

(12) If any Undertaking constitutes a "commercial activity" under the VU Commercial Guidelines (in Part 6, Division 6 of the Victoria University Act 2010), then the Contract Manager must ensure that the Justification and the due diligence process accords with the VU Commercial Guidelines as well as with this Procedure.

(13) The Justification can be a document (in any form) summarizing the key facts of the Undertaking, including:

- a. The purpose and objectives of the Contract and Undertaking;
- b. The identities of all involved in the Undertaking (including parties to the Contract/s) and the nature of their involvement;
- c. The identity/position of the Contract Manager/s for that particular Contract and Undertaking;
- d. The term (start and finish dates) of the Undertaking and the Contract;
- e. The nature of the deliverables: what needs to be done or delivered; to what standard; and in what timeframe. Contract deliverables can also be thought of as a statement of works/requirements/specifications, and should describe and explain the arrangements proposed by the Contract or Undertaking. Contract deliverables may be described in terms of required results or outcomes (rather than on inputs and processes) to allow for operational flexibility and innovation. Where there is little scope for flexibility, it may be more appropriate for deliverables to be described more prescriptively;
- f. How performance or the success of the contract or Undertaking will be measured (ie. quantity, quality, timeliness);
- g. The resources that will need to be committed by the parties over the life of the Undertaking (and determining whether the University has the available expertise and resources to perform its obligations as envisaged);
- h. An assessment of the parties' capacities to perform their obligations in light of the required timeframes;
- i. Any aspects of the Undertaking that are not within either party's control;
- j. Whether a reasonable business case exists for entering into a proposed Contract. For Contracts dealing with large, risky, complex or significant arrangements, the business case may need to be documented in a proposal for approval by the head of the relevant business unit or by senior management;
- k. The benefits (legal, reputational, commercial or practical) to VU in the Contract and conducting the Undertaking. Assessment of the benefits should take place periodically throughout the contracting process and over the entire period of the Undertaking;
- l. The risks (legal, reputational, commercial or practical) to VU in conducting the Undertaking (based upon a review of VU's Risk Management Policy and Procedure and a risk consultation and assessment if appropriate, and using the Contract Risk Assessment Guidelines). The Contract Manager must pro-actively research and identify the risks of the Undertaking and the Contract, and identify practical measures that would mitigate those risks. The risk assessment should be reasonable and proportionate: the more severe the consequences of the risk, or the more likely those risks will occur, then the more rigorous and detailed the risk assessment should be. The Contract Manager must review and comply with VU's Risk Management Policy and Procedures and understand and address insurance implications and requirements Assessment of the risk should take place periodically throughout the contracting process and over the entire period of the Undertaking. The responsibility for assessing the net risk and benefit to VU of an Undertaking and deciding whether or not to enter a given

Contract remains with the person executing the Contract. The party best placed to control the risk in a Contract or Undertaking (and therefore to prevent the risk from creating actual damage) should ordinarily be liable under the Contract for the resulting loss;

- m. All practical ways that any risks can be minimized (whether through the implementation of specific processes or management, or other mitigation strategies);
- n. A budget and balance sheet for the Undertaking in which every identified risk and benefit must be assigned a dollar value;
- o. Any issues that VU considers to be important or non-negotiable;
- p. The link between VU's strategic objectives and that particular Contract and Undertaking; and
- q. Any important or unusual circumstances which are specific to the Undertaking.

(14) All of the above key facts should be reassessed periodically throughout the contracting process and over the entire period of the Undertaking.

Status and Details

Status	Current
Effective Date	To Be Advised
Review Date	To Be Advised
Approval Authority	Vice-Chancellor
Approval Date	To Be Advised
Expiry Date	Not Applicable
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