



# Council Policy Manual

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## CP9.8 CONTRACT VARIATIONS - AUTHORITY TO INCUR A LIABILITY

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### BACKGROUND

Regulation 5(1)(e) of the Local Government (Financial Management) Regulations 1996 requires the CEO to ensure the proper authorisation for incurring a liability and making payments.

### POLICY OBJECTIVE

To determine the circumstances in which a contract for the procurement of goods or services may be varied.

### POLICY STATEMENT

1. Following the issue of a purchase order for the procurement of goods or services, the contract for purchase may be varied where:
  - 1.1 The contract enables the contract to be varied, and the variation is in accordance with variation provisions of the contract;
  - 1.2 Additional goods or services that were not, or could not have been, foreseen at the time the purchase order was issued are required;
  - 1.3 Sufficient funds are available in the appropriate capital or operating budget to meet the additional cost;
  - 1.4 The value of the contract as a result of the variation does not exceed the purchasing limit of the Officer approving the variation; and
  - 1.5 The value of the additional goods or services required does not exceed the value of the initial contract by more than 10% or \$100,000.
2. Contract variations that would result in the procurement of additional goods or services where the value of those additional goods or services would exceed the initial contract price by more than 10% or \$100,000 may, in exceptional circumstances, be approved by the Chief Executive Officer or a Director, subject to the variation not being contrary to the requirements of clause 1.2 above, and the reasons for the variation being documented and registered as a corporate record.
3. When approving an invoice for payment, if the amount of the invoice exceeds the amount of the corresponding purchase order for the goods or services by more than 10% or \$100,000, payment of the invoice is to be authorised by the relevant Director.



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- 4. This policy does not permit variations to contracts that are intended, or could reasonably be perceived as being intended, to avoid the necessity to comply with Council Policy 9.7 – Purchasing Policy.

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