

CONTRACTS MANUAL

PART ONE

CONTRACTS AND THEIR USES

- 1. CATEGORIES OF CONTRACT**
- 2. TYPES OF CONTRACT**

PART ONE: CONTRACTS AND THEIR USES

1. *Categories of Contract*

Hutt City Council uses four categories of contract: **Professional Services Contracts, Physical Works Construction Contracts, Physical Works Maintenance Contracts and Purchasing Contracts.**

| Contract Category | Used For | Examples |
|--------------------------------------|--|---|
| Professional Services Contract | Commissions with a value of more than \$30,000. | <ul style="list-style-type: none"> • Feasibility studies • Building and road design • Contract administration |
| Physical Works Construction Contract | Physical works that create new assets including new assets that replace existing assets that are removed or abandoned as part of the contract works. | <ul style="list-style-type: none"> • Constructing a new building • Replacing an existing sewer main and laterals with a new sewer main and laterals |
| Physical Works Maintenance Contract | Physical works that maintain existing assets. | <ul style="list-style-type: none"> • Operating the water supply reticulation system • Mowing grass |
| Purchasing Contract | Purchases of large complex or specialised equipment. | <ul style="list-style-type: none"> • Large motors or pumps • Specialised electrical equipment |

When it is unclear as to whether work is most appropriately construction or maintenance work, the Contract Manager shall discuss the options with the Client's Representative and receive instructions as to which form of contract to adopt in the circumstances.

Formal contracts in full compliance with the requirements of this manual are not required for:

- Professional Services commissions with a value of less than \$30,000. (Some Divisions in Council have a different dollar limit for requiring a formal contract). A number of Divisions in Council use a "Request for Proposal for Professional Services" document and an associated Design Brief or similar for

this purpose – details are not included in this manual (see index to Related Documents – Appendix to Part One).

- Physical Works, both Construction and Maintenance, of either a minor (under \$30,000) or emergency nature.
- Purchases of all goods except equipment that is large, complex or specialised.

In any of these cases the Client's Representative may decide that a formal contract is required.

In all cases where a formal contract is not required the provisions of the Hutt City Council Purchasing Policy and Procedures Manual shall apply. (See Index to Related documents – Appendix to Part One).

Also, in such cases, a "Record of Engagement of External Service Provider" (form 608A) shall be completed, approved and filed to records to confirm the decision-making process (refer index to Related Documents, Appendix to Part One).

A "Hutt City Service Contract" short form contract (or equivalent contract short form and signed agreement) shall be used for such minor works (refer index to Related Documents, Appendix to Part One).

Any contracts/agreements for engagement shall include reference to HCC Health and Safety requirements. Signed certifications by Tenderer/Contractor and acceptance by HCC Project Manager shall be referred to/appended to any contract.

2. Types of Contract

Hutt City Council uses five types of contract to administer the categories described above. The types of contract are: *Lump Sum Contract, Measure and Value Contract, Cost Reimbursement Contract, Time Writing Fee Contract and Percentage Fee Contract.*

The following tables set out the types of contract and their uses.

2.1 Lump Sum Contract

| Used For | When | Payment |
|---|---|--|
| Professional Services Contracts | The nature and amount of the work can be reliably gauged at the time of tender. | Council pays the contract price defined in the contract documents. |
| Physical Works Construction Contracts Physical Works Maintenance Contracts | The amount of work to be done can be precisely defined at the time of tender. | Council pays the contract price defined in the contract documents. |
| Purchasing Contracts | The quantities of goods to be purchased can be precisely defined at the time of tender. | Council pays the contract price defined in the contract documents. |

2.2 Measure and Value Contract

| Used For | When | Payment |
|---------------------------------------|---|--|
| Physical Works Construction Contracts | The work involves civil engineering or the amount of work to be done cannot be precisely defined at the time of tender. | Council pays for the measured quantity of each item of work carried out at the rate set out in the Schedule of Prices all in accordance with the provisions of the Contract Documents. |
| Physical Works Maintenance Contracts | Most frequently for Physical Works Maintenance Contracts. | |
| Purchasing Contracts | The quantities of goods to be purchased cannot be precisely defined at the time of tender. | Council pays for the measured quantity as determined by the Engineer of each item at the rate set out in the Schedule of Prices. |

2.3 Cost Reimbursement Contract

| Used For | When | Payment |
|--|---|--|
| Physical Works Construction Contracts and Physical Works Maintenance Contracts | Rarely used by Council. Only to be used in special circumstances and on the specific instructions of the Client's Representative. | Council shall reimburse the Contractor's costs including expense or loss and overhead cost whether on or off site together with an allowance for profit all in accordance with the method set out in the Special Conditions of Contract. |

2.4 Time Writing Fee Contract

| Used For | When | Payment |
|---------------------------------|--|--|
| Professional Services Contracts | The nature and amount of the work is difficult to gauge. | Council pays a scheduled hourly rate for key personnel all in accordance with the requirements set out in the Contract Agreement and the Special Conditions of Contract. Note: The Consultant may be required not to exceed a nominated input of work without agreement from Council. |

2.5 Percentage Fee Contract

| Used For | When | Payment |
|---|--|--|
| Professional Services Contracts (Construction Work) | Similar work has been done in the past, and the cost of the work has been relatively stable. | Council pays a percentage of the overall cost of construction. |