



Province of
British Columbia

Ministry of
Finance

Treasury Board
Parliament Buildings
Victoria
British Columbia

TREASURY BOARD DIRECTIVE

ANALYSIS

TO ALL MINISTERS
DEPUTY MINISTERS
MINISTRY COMPTROLLERS
MINISTRY PERSONNEL DIRECTORS

August 11, 1981

DIRECTIVE 3/82
Subject: Service Contracts

In order to establish uniform and responsible service contracting practices and to document the various authority limits, the following policy and procedures apply.

POLICY

Prior Treasury Board Approval must be obtained for Service Contracts exceeding \$25,000. Ministries, in accordance with their own documented signing authorities, may approve Service Contracts up to a maximum value of \$25,000, provided that:

1. Funds are available in the Estimates of Expenditure *MEMBERED - 2/84, 4/86, 4/87
TB - \$50,000 TB \$100,000 6.1.2 A*
2. The contract does not involve work related to functions for which responsibility has been assigned to any central agency within the Government. This work includes, but is not limited to accommodation services, organization studies, data processing services, printing and duplication, etc.
3. The contract does not include legal services. Requests for legal services must first be referred to the Ministry of Attorney General.
4. The contract is not a renewal or extension of a prior or existing contract which causes the total cost of the contract to exceed \$25,000.
5. A written contract or formal letter of agreement is completed before the services are utilized.

Where prior Treasury Board Approval has been obtained for a contract in excess of \$25,000, the Ministry may approve a maximum upward variance of 10%, provided justification exists for doing so, and provided that funds are available in Standard Objects of Expenditure 20 or 40. Overruns in excess of 10% are not acceptable.

Service Contracts should never be used to establish an employer-employee relationship. For a distinction between an employee and a service contractor, refer to Audit Circular 61/79, dated December 12, 1979.

Before letting any Service Contract to the private sector, Ministries must first consider internal government resources as to availability and level of expertise.

Terms of reference, as per contract, must be clear and concise; → variable price contracts must be avoided wherever possible; cost estimates must be realistic and contract extensions as a result of bad estimating must be avoided; penalty clauses should be included, where feasible, to protect the rights of the Crown. The contract must contain the beginning and ending date of the services to be provided.

A copy of any Service Contract must be submitted to the Office of the Comptroller General, before any payment under the contract is due. Ministries are advised to negotiate fixed price contracts, wherever possible, rather than variable price/fee contracts.

Ministries must report monthly (as per attached exhibit) to the Deputy Secretary of Treasury Board on any Service Contracts up to \$25,000 that have been entered into by the Ministry.

APPLICATION

This policy applies to all Ministries

CONTRACT FORMAT

Ministries should, whenever feasible, use the standard Service Contract format available from the Ministry of Attorney General. If the standard format is not used, the contract should be reviewed with the Ministry's legal advisor before signing.

Schedule A "Terms of Reference" to the standard format must contain a clear definition of expected accomplishment/outputs and should contain their expected completion time.

Schedule B "Fees and Expenses" must indicate the rates used for calculating the contractor's fees. A maximum upper limit for the total fees based on such hourly, daily or monthly rates must be stated. Indicate separately, a breakdown of allowable expenses related to, for example, living and travel, communications, secretarial support, possible sub-contracted services, etc. Each item of expense or aggregate expense must have a maximum limit and the basis for calculation, if other than at cost, must be clearly stated. The rates for expenses claimable under the contract with a service contractor must not be greater than those allowed for the management classification of the British Columbia Public Service.

Ministries must ensure that contracts are signed by person(s) who can bind the Crown within the scope of their authority, as per Treasury Board Directive 5/80.

DEFINITIONS

For purposes of this directive, the following definitions apply:

"Service Contract" includes any contracts which are chargeable to Standard Objects of Expenditure 20 or 40 and includes contracts for consulting services.

"Renewal" applies to a new contract which deals substantially with the same subject matter as the original contract, involves the same contractor, and entails a period between contracts of not more than 3 months.

"Extension" applies to a contract the term of which is extended by mutual agreement of the parties.

"Prior Treasury Board Approval" may be obtained through the Pre-Approval process at budget review time, or by Treasury Board Submission during the year.

EFFECTIVE DATE

This policy becomes effective immediately. This directive cancels Treasury Board Directive 5/81, dated May 13, 1980.



Hugh A. Curtis
Chairman
Treasury Board