



Contract variations

Australian Skills Guarantee guidance for Relevant entities

Overview

Section 3.2 of the Australian Skills Guarantee (Skills Guarantee) Procurement Connected Policy (PCP) outlines what Relevant entities will do when a contract variation results in a procurement meeting the definition of an Eligible project under the Skills Guarantee. This document provides further information on this process.

Please note that this guidance document only applies where making changes to an established contract results in a contract variation and not a new procurement process. This guidance document would not apply where the initial estimated procurement value is over \$10 million (GST inclusive) as the Skills Guarantee should have already been applied, in line with the definition of Eligible projects in the Skills Guarantee PCP. For example, where a contract for a procurement has a value of \$9 million and includes an option to extend the contract worth an additional \$1.5 million, the estimated individual value of the procurement would be \$10.5 million, and the procurement would therefore already be in scope to include Skills Guarantee PCP requirements.

When to include Skills Guarantee requirements

When a contract variation occurs, it is the responsibility of the Relevant entities undertaking the procurement to determine whether the contract variation presents an opportunity for greater participation of apprentices, ICT cadets and women in the delivery of the remainder of the contract. If it does, relevant entities should negotiate with the supplier to include Skills Guarantee requirements. In their decision, Relevant entities should consider the purpose of the Skills Guarantee. The Skills Guarantee sets targets for apprentices, trainees, ICT cadets and women working on eligible procurements. This aims to increase employment opportunities for apprentices, trainees and ICT cadets and drive long-term sustainable change to tackle gender imbalance in the construction and ICT sectors.

Generally, it will be appropriate to seek to apply Skills Guarantee requirements when all the following criteria are met:

- there is sufficient time remaining on the contract to provide relevant apprentices or ICT cadets with an adequate training experience

- there is sufficient work to be completed in Australia
- the remaining contract deliverables require Labour hours
- there is sufficient work to be completed in areas which have an apprentice or ICT cadet pathway.

It may not be appropriate to seek to apply Skills Guarantee requirements in circumstances where one of the following applies:

- the contract does not allow enough time to provide apprentices or ICT cadets with an adequate training experience, for example, a contract may only have one month remaining
- almost all of the remaining contract deliverables are to be delivered overseas
- almost all of the remaining contract deliverables do not require Labour hours
- there are no apprentice or ICT cadet pathways in the remaining work to be delivered.

Please note this list is not exhaustive. Relevant entities may determine it is not appropriate for Skills Guarantee requirements to be applied when a contract is varied for other reasons.

Targets for Major construction projects

Where the Skills Guarantee requirements apply to a contract variation, the estimated Labour hours and Skills Guarantee targets should be calculated based on the remaining Labour hours in the contract, rather than the contract's total Labour hours.

If the contract variation changes the type of project from a 'Major construction project' to a 'Flagship construction project' (see the Glossary in the Skills Guarantee PCP for definitions), Relevant entities should consider if it is appropriate to negotiate and calculate higher targets for women, while also considering the requirements above. The negotiation of the provision of a Gender Equality Action Plan for the Flagship construction project must also apply in this instance.

Updated information such as Labour hours should be reflected in the contract.

Targets for women

For Major construction projects, the minimum percentage of women apprentices and trade apprentices required will be based on the date the contract variation takes effect and will increase each financial year (per **Table 1** in the Skills Guarantee PCP).

Targets for Major ICT projects

Where the Skills Guarantee requirements apply to a contract variation, the calculation of targets for the remainder of the contract term will function the same as a new contract for a Major ICT project.

The targets would be agreed with the Relevant entity and included in the contract variation.

Panel arrangements

Lead agencies for existing panel or standing offer arrangements may vary the standard contract terms of their deed of standing offer, indicating that the Skills Guarantee requirements will apply to Eligible Projects procured from that panel or standing offer arrangement.

The assessment and reporting for the Skills Guarantee requirements will occur when a new contract is created for an Eligible Project under a panel or standing offer arrangement, or where a contract under that panel or standing offer arrangement is varied making it an Eligible project.

Relevant entities will take the same approach to negotiating the inclusion of Skills Guarantee requirements in a contract variation for an Eligible Project under a panel or standing offer arrangement, as for contract variations for Eligible Projects not under a panel or standing offer arrangement.

Maintaining appropriate records

As specified in **Section 3.2.3**, Relevant entities are required to document the reasons and maintain appropriate records where Skills Guarantee requirements are not included as part of the contract variation and the contract was for an Eligible project as defined by the Skills Guarantee PCP.

Reporting to Department of Employment and Workplace Relations

Major and flagship construction projects

Where a contract variation includes the addition of Skills Guarantee requirements, the relevant entity must notify the Department of Employment and Workplace Relations (DEWR) in their six-monthly reporting (required under 6.1.3 of the Skills Guarantee PCP).

As contract variations may not be captured in AusTender, it will be important for Relevant entities to notify DEWR through their six-monthly reports of any new eligible procurements – including procurements where the Skills Guarantee requirements were not applied.

If the contract variation changes the type of project from a ‘Major construction project’ to a ‘Flagship construction project’, the Relevant entity is responsible for working with suppliers to ensure the Gender Equality Action Plan is fit for purpose, and that an approved plan is in place before the supplier submits their first quarterly report. The Gender Equality Action Plan should be sent by the Relevant entity to DEWR as part of their six-monthly reporting.

Major ICT projects

For the 2024–25 financial year, the Relevant entity should notify DEWR as soon as a contract variation has been made if the variation results in the ICT procurement becoming an ‘Eligible project’ under the Skills Guarantee. It is important DEWR captures this information in a timely manner, particularly during the first 6 months of the Skills Guarantee, to help inform the future policy development for Major ICT targets.

Example scenarios

Scenario 1 (a) – Supplier agrees to include Skills Guarantee requirements

The *Department of Example Scenarios* has contracted *Construction Company A* to deliver construction services.

The contract start date is 30 September 2024 and the contract end date is 30 September 2026. The contract has an estimated value of \$9,800,000. The UNSPSC code listed for the approach to market and subsequent contract notice on AusTender is *UNSPSC 72100000 – Building construction and support and maintenance and repair services*.

In April 2026, the department identifies that more work is required to achieve the objective of the procurement and seeks to vary the contract. The contract variation will extend the contract to end on 30 October 2026 and will result in the estimated procurement value increasing to \$10,500,000.

As the UNSPSC is captured by the Skills Guarantee PCP (see **Appendix C**) and the procurement has met the estimated individual value of \$10 million and above (GST inclusive), the procurement meets the requirements of an Eligible project and the department seeks to include the Skills Guarantee requirements for the remainder of the contract term. Before negotiating with *Construction Company A*, the department assesses that:

- there is sufficient time to provide relevant apprentices with an adequate training experience
- there is sufficient work to be completed in Australia
- the remaining contract deliverables require Labour hours
- there is sufficient work to be completed in areas which have an apprentice or ICT cadet pathway.

Construction Company A **agrees** to include Skills Guarantee requirements as part of the contract variation which takes effect on 1 May 2026.

As the overarching apprentice target does not change between financial years, *Construction Company A* will be required to ensure a minimum of 10% of all Labour hours spent on the remainder of the contract are undertaken by apprentices.

As the contract variation takes effect on 1 May 2026, *Construction Company A* will initially be required to ensure that 7 per cent of apprentice Labour hours are undertaken by women in apprenticeships, and 5 per cent of trade apprentice Labour hours are undertaken by women in trade apprenticeships. On 1 July 2026, these targets will increase to 8 per cent and 6 per cent respectively (see **Table 1** in the Skills Guarantee PCP) for the remaining period of the contract.

The estimated Labour hours and associated targets are included in the contract.

Scenario 1 (b) – Supplier does not agree to include Skills Guarantee requirements

In the above example, if *Construction Company A* were not to agree to include Skills Guarantee requirements as part of the contract variation, the *Department of Example Scenarios* would document the reasons why the Skills Guarantee was not included and would maintain appropriate records.

Scenario 2 – Skills Guarantee requirements not considered appropriate

The *Department of Procurements* has contracted *Construction Company B* under a construction procurement.

The contract start date is 15 October 2024 and the contract end date is 15 October 2025. The contract has an estimated value of \$9,995,000. The UNSPSC listed for the approach to market and subsequent contract notice on AusTender is *UNSPSC 72101500 – Building support services*.

In September 2025, the department identifies that the contract will need to be extended to finalise the work and seeks to vary the contract. The contract variation will extend the contract to end on 30 October 2025 and will result in the estimated procurement value increasing to \$10,200,000.

As the UNSPSC is captured by the Skills Guarantee PCP (see **Appendix C**) and the procurement has met the estimated individual value of \$10 million and above (GST inclusive), the procurement meets the requirements of an Eligible project and the department assesses whether to include the Skills Guarantee requirements for the remainder of the contract term. As the contract variation does not allow enough time to provide apprentices or ICT cadets with an adequate training experience, the department decides not to include Skills Guarantee requirements.

The *Department of Procurements* documents the reasons why Skills Guarantee requirements were not included and maintains appropriate records.

Further resources

- Australian Government Contract Management Guide, Sections 2.12-2.13 – <https://www.finance.gov.au/sites/default/files/2023-07/australian-government-contract-management-guide-july-2023.pdf>
- Australian Government Procurement BuyRight, Contract Variations – <https://www.finance.gov.au/government/procurement/buyright/contract-variations>.