

Administration and Tools

Checklist

Checklist

Contract Administration Checklist

What you Need to Do	Points to Consider	Met?
<p>Administration of the contract is important</p> <p>Contract administration is concerned with the relationship between the customer and supplier(s).</p> <p>Its importance should not be underestimated. Clear procedures help all parties to understand who does what, when and how.</p>	<p>The elements that need managing are likely to include:</p> <ul style="list-style-type: none">• Contract maintenance and change control• Notice periods, contract closure or termination (Please note: you cannot terminate a contract with the aim of avoiding procurement rule obligations).• Charges and cost monitoring• Ordering procedures• Payment procedures• Budget procedures• Resource management and planning• Management reporting• Asset management	

<p>Maintain the contract documentation</p> <p>It is normal for contracts to change within acceptable parameters during their lifetime. Documents need to be maintained to reflect changes in arrangements.</p> <p>Contract maintenance means keeping the documentation up to date and relevant to what is happening.</p> <p>Maintaining contract documentation is an important activity.</p>	<p>Establish procedures to keep contract documentation up to date.</p> <p>Ensure all contract documents are consistent, and that all parties have the correct version.</p>	
<p>Changes must be controlled - this is often an area where there can be misunderstandings and contract conflict.</p> <p>Changes to services, procedures or contracts may have an effect on:</p> <ul style="list-style-type: none"> • service delivery, • performance, • costs • whether the contract represents value for money. <p>The specification and administration of change control is an important area of contract administration.</p>	<p>Appropriate procedures need to be in place. Both customer and supplier representatives must manage, review and authorise change requests.</p> <p>Changes must not fall outside the original advertisement's scope. Otherwise you may come into conflict with procurement regulations – seek advice if you're unsure.</p> <p>Additional demands on the supplier should be carefully controlled.</p> <p>Formal authorisation procedures will be required. This ensures only new requirements that can be justified are added to the service.</p>	

<p>Make sure management understands what is happening</p> <p>Reporting procedures will ensure information about contract problems reaches management. Management can then make decisions as soon as it is possible.</p>	<p>Service performance reports and management information requirements should be built into the contract. You must state these requirements at the tender stage.</p> <p>You should use your organisation's own management information and performance measurement systems, if these are available</p> <p>For many business managers a service summary, detailing any exceptions, is normally sufficient.</p> <p>Information requirements may change over the life of a contract.</p>	

Blank rows provided for your use e.g. to add additional checklist items.

Contract Changes/Variations

Open or close

Background to Contract Variations

All contracts should detail how to include and manage contract variations . Although a supplier may request a contract variation, varying the contract must be approved, managed and controlled by the customer.

It is normal practice for a contract variation to be agreed between the customer and the supplier in writing through a formal amendment of the contract. This practice is also known as a "Change Management process", "change control procedure" or something similar.

No-one involved in managing and administering the contract should agree to informal contract amendments. All potential contract variations/changes must be fully explored. This must include the appropriate contract managers/stakeholders. Any agreed variations should be undertaken in line with the Change Management process (see below).

The reasons for the variation should be clearly documented. Variations should not be used to hide poor performance or serious underlying problems. The variation's effect on original contract timeframes, deliverables and value for money should be assessed. You must consult/advise senior management and other stakeholders if the proposed contract variation(s) are significant.

Contract variations should be planned. You must inform customers in good time of any changes. You must let customers know that multiple contract changes may shift contract risk or transfer particular risks to the customer. It is important to analyse all consequences of a suggested amendment - make sure there is no negative effect on the contract or service levels.

You must make sure that contract variations are not significant i.e. they must not change the original contract requirement and/or substantial parts of the original transaction. This would be "substantial modification" and it may be necessary to undertake another procurement process. This is because the revised arrangements are substantially different from the original procurement that you advertised and awarded.

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Contract Variations Do's and Don'ts

Do 👍	Don't 👎
Assess value for money of the variation(s)	Change the original contract requirements i.e. there is no substantial modification.
Assess the effect of the variation on the original contract e.g. no detrimental effects on timeframes and deliverables.	Use variations to hide poor performance or serious underlying contract problems.
Consult senior management/stakeholders if variation(s) are significant. Follow your organisations governance procedures.	Agree to contract variations on your own.
Clearly document the reason(s) for the variation and the amendment in writing.	
Inform customer(s) of the contract change(s)	

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Contract Variations Checklist

Key issues to consider in managing contract variations include:

Key Areas	Achieved?

Are procedures required by the contract being followed?	
Have the reasons for the proposed variation been assessed? Does this indicate an emerging or actual problem?	
Has the impact of the proposed variation on the contract's deliverables been assessed? Particularly whether the variation or the work it represents is actually required and is already part of the original contract deliverables?	
Has the effect of the proposed variation on the contract's price been determined?	
Has authority been given for making the variation?	
Has the variation and its impact been properly documented?	
Have you undertaken all reporting requirements?	

Blank rows are provided for your use e.g. to add additional checklist items.

Change Management Process

There are a variety of issues that should be considered in any Change Management process to ensure that it is effective. Three key areas for consideration are:

- the need for change impact reports;
- any pricing principles that will apply to the change; and

- the supplier's obligation to undertake the change.

You should run a formal pilot if change is required but the effect of getting things wrong would be significant. If your pilot fails to meet expectations you can revisit and retest. This allows you to achieve the required results before committing your resources and reputation on a wider scale contractual change.

For example "Plan, Do, Check, Act (PDCA)" is a recognised continuous improvement model. You can use PDCA to ensure your change delivers the desired results.

There are 4 steps to the PDCA model. Steps 2 and 3 can be repeated until the desired result is achieved. The 4 steps can be summarised as:

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Plan, Do, Check, Act (PDCA)

1. **Plan:** Define the problem to be addressed. Collect the relevant data. Understand the root cause(s) of the problem(s).
2. **Do:** Develop possible solution(s). Select the most appropriate solution(s) and implement a small-scale pilot; decide how you will measure the effectiveness of the pilot.
3. **Check:** Check the problems you have encountered during the pilot and identify the root cause(s). Measure how effective the solution has been by comparing pre-pilot and post-pilot data. Depending on the success of the pilot, you have the option of repeating the "Do" and "Check" phases. You can incorporate additional improvements until you get the desired result.
4. **Act:** You can implement your solution. If you are using the PDCA as part of a continuous improvement initiative, you need to loop back to the Plan Phase (Step 1) and seek out further areas for improvement.

Change Impact Reports

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You and the supplier must understand the implications of the proposed change before being able to properly consider them . This may require the supplier (who will normally be in the best position to assess the likely impact of a change) to prepare an impact report. The impact report will present:

- a full description of the change;
- how the change is to be implemented;
- the feasibility of the change;
- the effect on the ability of the supplier to meet its contract obligations;
- any cost implications of the change;
- any consequential impact of the change;
- where appropriate, acceptance testing procedures and acceptance criteria for the proposed change and
- any other information likely to be of relevance.

Pricing Principles

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Your Change Management process should specify how any change costs will be allocated between the customer and the supplier.

Normally you would be required to pay for a change where it is not within the scope of the existing contract.

When a change is outside the scope of the existing contract, the Change Management process should detail the pricing principles i.e. what you pay for. For example, the Change Management process may stipulate that the price for any change should be:

- reasonable;
- competitive and
- no higher than the price at which a customer could buy similar products or services from another supplier.

Your Change Management process can include the supplier having to provide an auditor's certificate i.e. to confirm agreed the pricing of any change complies with

the pricing principles.

Supplier's obligation to undertake the change

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A detailed Change Management process is of little value if the supplier can refuse to implement the customer's change request.

Your Change Management process can include a requirement that the supplier cannot unreasonably refuse (either directly or indirectly) a change requested by you.

Unreasonable grounds for refusing a change might include:

- demanding unreasonable charges for the change;
- imposing unreasonable conditions for undertaking the change; or
- refusing to include the change despite the subject matter being reasonably related to/or connected with the services.

Impact reports, pricing principles and the supplier's obligation to undertake the change are just some of the matters that need to be considered in any Change Management process to ensure that it is effective. A carefully drafted Change Management process can ensure that the contract remains compliant and flexible to meet the system/services required during the term of the contract.

Account Pack

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The Account Pack is intended to be a place where the current and historical contract / supplier status is recorded. Ideally, if anyone wants to understand the contract status or how the supplier is performing, this pack should provide them with the current status.

Any documents you need are listed below

[Account Pack Document](#)

(file type: pdf)