



## Contract Variation Policy

A successful procurement will result in a contract for the provision of the stated deliverables. Occasionally, a need may arise for adjustments to a contract for a variety of reasons and can result in changes to:

- Project Scope i.e. what is being done
- Methodology i.e. the way things are done
- Standards i.e. quality of work
- Volume of work i.e. increase/decrease in existing scope
- Term i.e. the length of the contract

Modifications can increase, decrease or have no impact on the value of the contract. Modifications call also impact contract performance positively or negatively based on the nature of the change. Important aspects to consider are:

1. Does the change in value result in the procurement threshold being surpassed? e.g. if the contract was originally less than \$250,000 but this modification results in the contract being greater than \$250,000.
2. Where the contract scope is being changed, does this make the contract materially different from the scope approved in the business case?
3. Is the total value of the change(s) over 15% from the original contract value?
4. Is the modification being requested by the vendor and was the modification related to an item that was required/included in the tender documents?

If the answer to any of the above is “Yes”, a contract modification may not be appropriate. If the answer to question 4 is yes, then the responsibility for and cost of the modifications should be the vendors in most instances. If the answer to questions 1, 2 & 3 are yes, a new procurement may need to be conducted for the provision of the changes. In order to determine this, please consider the following:

1. Do any of the direct award justifications, under regulation 5 of the Procurement Regulations apply to the modification? If yes, which one and why?
  - If a direct award is applicable, a contract modification would be appropriate.
2. Would the introduction of another vendor, via a competitive procurement for the additional scope, have a negative impact on the completion of the existing contract? If yes, how?



If the answer both of the above is “No”, then it is likely that a new competitive process, in line with the estimated value of the modification, should be carried out.

### **Contract Extensions**

Contract lengths are to be included in the procurement documentation when the contract is being tendered, in the case of a competitive procurement, or when they are being negotiated, in the case of direct awards.

Any contract extension options should also be made clear at this stage so that the maximum contract length and associated value can be determined in order for the correct procurement route to be determined and followed. There should be no contract extensions beyond the maximum agreed term and where necessary, a new procurement should be initiated with sufficient lead time to enter into a new contract.

There is one (1) exemption to the contract extension policy and it is as follows:

1. An emergency situations as described in the Procurement Act occurs. In these scenarios, existing or expired contracts can be utilised beyond an expiration date until the emergency is averted. This exemption is in place to allow CIG to utilise proven providers in emergency situations to give the best chance for remedying the situation efficiently and effectively.

### **Contract Modification/Extension Approval Procedure**

All contract modifications should be approved by the Chief Officer/Chief Executive Officer (or equivalent). The answers to the above questions should be submitted with the justification for the modification. Where the extension is based on an emergency situation, as described in the Procurement Act, a summary of the emergency situation must be included.

### **Contract Modification Reporting Procedure**

Any modifications, both individually or cumulatively, **that result in an increase of contract value over 15% from the original value** should be reported to the CPO and relevant procurement process approval committee i.e. the Entity Procurement Committee (EPC) or Public Procurement Committee (PPC) at the next available meeting. Documenting and learning from these modifications is key to improving the quality of tender documents and other future procurement process elements.