

Waste Infrastructure Delivery Programme Contract Management Training



Norfolk County Council

Authority Change and the Change Protocol

8 May 2013 – NAME REDACTED

Objectives



- For contract management team to gain an understanding of the Change Protocol
- To consider and understand the processes required by the Council to effect change



Agenda

- Authority Changes – Overview (10 mins)
Exercise 1 (15 mins)
- The Change Protocol (15 mins)
Exercise 2 (40 mins)
- Other Key Points (10 mins)



Authority Changes - Background

- Projects will change during the 25 year contract period
- the Contractor will carry out the change; BUT only if request in accordance with Contract
- Authority pays for change

Authority Changes - Contractual Aspects



- Historically - process of agreeing and implementing change was either cumbersome or informal
- Now covered by Change Protocol
- Change Protocols are used in all sectors (not just waste)



Definitions



Low Value Change – change to works or service having a cost impact of less than £5k

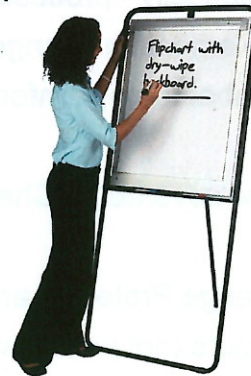
Medium Value Change – change, which is not a low value change, either costing less than £200k, or having cost impact less than 2% of UC

High Value Change – change likely to cost more than £200k, or have a cost impact of more than 2% of the UC

Exercise 1 (15 minutes)

Identify potential Authority Changes which would fall into each of the categories defined in the Change Protocol:

1. Low Value Change
2. Medium Value Change
3. High Value Change



Exercise 1 – Example Answers

Low Value Change – external fencing, new AV equipment for Visitor Centre

Medium Value Change – new water harvesting tank, shredder for bulky waste

High Value Change – enabling works for CHP

The Change Protocol



Applies to:

- All Authority Changes
- Qualifying Change in Law
- Contractor Changes (Part 5)

Objective:

- Provides certainty and pre-determined methodology
- Delivers value for money for Authority
- Procedural requirements proportionate to cost

Authority Change Process



- Authority may submit a request for a change at any time
- If Contractor objects then Authority may withdraw or refer to DRP

Changes NOT Permitted

- Infringes Legislation, Guidance or Good Industry Practice
- Cause Consent to be revoked
- Material and adverse impact on Services
- Material and adverse health impact
- Unreasonable timing
- Material and adverse impact on nature of Project
- Authority lacks legal powers

Low Value Changes – Key Points

- Quick and simple process – 2 pages of clauses
- Applies for changes worth less than £5k
- Work expected to be carried out by subcontractor on site (no charge for labour)
- Materials should be priced at cost
- No processing charges
- Cost added to next monthly invoice

Medium Value Changes – Key Points (1)



- More complex process – 6 pages of clauses
- Applies for changes < £200k or < 2% of UC
- Authority provides a detailed change notice specifying:
 - description of works (to allow design and pricing)
 - whether Contractor required to provide additional lifecycle and maintenance services

Medium Value Changes – Key Points (2)



Contractor's proposal must include:

- detailed programme for design, construction and implementation of any change in Services
- proposed consultants, sub-contractors and suppliers
- Estimated Change in Project Costs
- steps the Contractor will take to secure finance
- any amendment to the Contract
- Third Party Costs

Authority Changes - Exercise 2A (40 mins)



Using the High Value example identified in Exercise 1, prepare a note for the SRO covering:

- (i) The information the Authority needs to include in the Authority Change notice
- (ii) The preparation and internal processes the Authority should undertake prior to issuing the Change Notice



Authority Changes - Exercise 2B (40 mins)



Using the High Value example identified in Exercise 1, prepare a note for your Finance Director setting out:

- (i) the stages in the High Value Change process and the Authority response times at each stage
- (ii) any liabilities that the Authority could incur and when they will arise



Exercise 2A – Answer (i)



- Whether required due to a change in law
- Authority affordability thresholds
- Specification of proposed works
- Location and timing of works
- Outline of risk allocation matrix
- Time period for submitting Contractor stage 1 response
- Whether Authority intends to fund capex or whether contractor should obtain funding
- The approval criteria

Exercise 2A – Answer (ii)



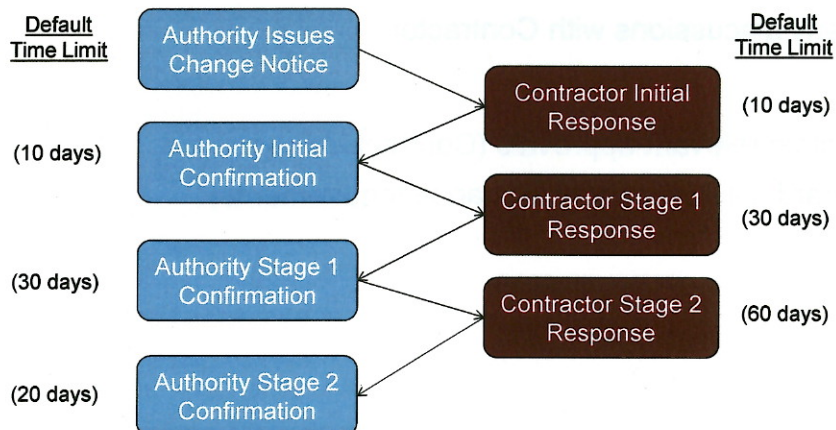
- Early discussions with Contractor
- Obtain relevant approvals (Contract Management Board, all Authority governance requirements)

Exercise 2A – Answer (ii)

Prepare a business case covering as a minimum:

- Specification of works/service
- Risk allocation matrix
- Approval criteria
- Consideration and justification for how change should be valued (competitive tendering etc)
- Affordability envelope
- Consideration of any procurement issues

Exercise 2B – Answer (i)



Exercise 2B – Answer (ii)

- Project Management Fee and Third Party Costs paid in 2 stages, i.e. with
 - Authority Stage 1 Confirmation, and
 - Authority Stage 2 Confirmation
- Adjustment in Unitary Charge
- Fees Payable to Independent Technical Adviser

Other Key Points

- Procurement issues – take appropriate advice
- Recording changes to Contract
- Notify WIDP
- Contract Management Manual



Further Reading



- Contract – Schedule 21
- Contract – Schedule 19
- WIDP Contract Management Guidance
 - Section 5.2