

Consulting Contracts, Managing Changes, Scope Creep

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Summary

Architects should notify the client and other consultants at the earliest possible time when changes in a project are identified which may result in a change in the scope of services, a change to the project cost, project schedule and/or a change in the professional fees.

Architects should not proceed with changes without written authorization from the client, which includes a detailed description of the change in scope of services, project schedule and professional fees.

The Ontario Association of Architects (OAA) has developed a standard “Agreed Change” form for this purpose.

Background

Architects and clients must have a common understanding of the scope of services and the costs of the project they are working on. When differences of opinion occur, fee disputes may result. This is one of the reasons that it is prudent to keep clients aware of changes in the scope of services and the status of project development.

Projects often start with a great deal of enthusiasm and the architect, other consultants and the client rush to find possible solutions for the specific problems framed within the project. It is important at the outset of the project to take the time, stop and record the expectations of all parties, identify the scope of services for the project, the client’s budget, the project cost, and document the fees that will become due. In short, a contract must be negotiated and the common understanding of the parties duly documented.

It is important to remember that it is often difficult to rationalize why additional services are required later in the project when there is no agreed scope of services at the start of the project. Agreements that are left ambiguous or trusted to memory may be subject to differing opinions later in the project. A written contract is essential to confirming the common understanding. Standard contracts prepared by the professions are recommended.

It is prudent for the client and the architect to refer to the contract terms from time to time during the project. This will help focus the parties and the work they do towards satisfying the specific requirements outlined in the contract. While working through the project requirements, refining the design and the construction documentation or even during the construction of the project, new requirements may have to be introduced into the contract. In isolation, such changes may or may not be significant in terms of the entire scope of services. Often, the cumulative effect of many such changes will have an impact on the project cost, scope of services, schedule, or the professional fees. This incremental change in the scope of the project is often referred to as “scope creep”.

All agreed changes in the terms and conditions of the contract should be recorded in writing.

The scope of services, schedule or total project costs outlined in the contract may not anticipate the impact of “scope creep” on the contract. Additional services or work may be required to bring the project to a successful conclusion. Keep the client aware of such changes and the resultant change in scope, project cost, schedule and/or professional fees. When the cost of providing services increases, renegotiating the fees and or other terms and conditions of the contract is appropriate. A form, not unlike a construction change order form, is

one method that many architects have found to be useful in communicating changes in contractual requirements, and obtaining client approval.

Effectively managing scope creep or other contractual changes at the project's early stages is in the best interest of the client, architect, and the consultants to avoid disputes later in the project and to contribute to constructive working relationships and a successful project.

Suggested Procedure

1. Define the scope of professional services, the project schedule, project cost and the professional fees clearly in a written contract at the outset of the project. It is good practice to use standard forms of contracts recommended by the OAA to confirm these and other important elements of the agreement.
2. Brief all project team members within the practice and the consultant team on the scope of services to be provided under the contract. Emphasize the importance of identifying any potential change in that scope of services and of obtaining authorization before proceeding with any changes. Many architects consider it good practice to distribute to the team copies of the description of the scope of services set out in the contract.
3. When a change in scope of services is identified, inform the client in writing and include a detailed description of the change in services, impact on the project schedule, project cost and on professional fees.
4. Negotiate with the client to arrive at an agreement on the extent of the change in services, schedule and professional fees that the client will authorize.
5. Obtain written authorization from the client. The "Agreed Change" form is used by many architects to confirm the change and the client's authorization to proceed.
6. Instruct the project team and consultants to proceed with the change. Instructions to the consultants should also be in writing.

References

Mastering the Business of Architecture (MBA) Chapters 2A-2; 2A-6; 3A-3; 3A-4

Canadian Handbook of Practice for Architects (CHOP) Chapter 2.1.10

Documents

Agreed Change Form (PDF) (WORD)

The OAA does not provide legal, insurance or accounting advice. Readers are advised to consult their own legal, accounting or insurance representatives to obtain suitable professional advice in those regards.
