

Contracts Help Sheet

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Organisations enter into various contractual agreements whilst carrying out their business. These contracts may include, for example:

- Rental agreements for offices
- Purchase of goods
- Supply of services
- Terms and conditions of a grant

The Management Committee is responsible for ensuring that any terms and conditions within these contracts are reasonable when the contract is signed and complied with.

Instances may occur when the organisation cannot or does not comply with these conditions. This may be through negligent actions of individuals (e.g. Project Manager fails to submit regular progress reports to grant provider) or arising from unforeseen circumstances (e.g. loss of staff members prevents provision of contracted services).

Management Committee members need to be aware of the potential consequences of failing to meet their contractual obligations. The associated risks should be considered, ideally as part of their overall [risk assessment](#). The Management Committee should be satisfied that the organisation can accept the risk of liability for any financial or other loss.

They should also be aware of any potential for [individual liability](#) for losses. This can arise where the Management Committee has been negligent in its responsibilities. Depending on the legal structure of the organisation, these contracts may be with the individual Management Committee members rather than with the organisation, bringing with it an additional level of personal responsibility and potential legal liability. Committee members should be made aware of this, where applicable, before committing to the terms of any contract.

[More on liability and legal structures](#)