HIGH-VOLUME

WORKSHEET 3 OF 9

Monthly Contract Cost and Escalation Monitor

Run at month-end alongside the financial reconciliation. Catches cumulative escalation before it compounds invisibly.

Complementary worksheet for
Contract Negotiation Tactics
by Ibrahim Anwar

SECTION 1

What This Is For

An escalation clause does not announce itself. It runs silently, incrementing the invoiced amount by the agreed percentage at the start of each period, until the cumulative total is large enough to notice — which is usually when it has already compounded across two or three cycles. This worksheet makes the cumulative drift visible every month, by comparing the current invoiced amount against the original baseline value at signing and tracking the running total of the difference.

The monthly reconciliation is already running. Someone is checking the bank balance against the invoices. Adding this worksheet to that process costs fifteen minutes and produces a number that is not visible anywhere else: the total dollar amount transferred to all active contract partners above the rates agreed at signing. That number is the size of the renegotiation opportunity sitting in the current contract portfolio.

SECTION 2

Benefits

What you get when you actually run this worksheet on a real situation:

- Makes cumulative escalation visible as a total portfolio figure, not just as individual line-item changes that each seem too small to act on.
- Flags the 90-day renegotiation window by showing which contracts have their next adjustment date approaching.
- Surfaces contracts with no escalation clause defined — which are not neutral, but are actually a position of weaker resistance at renewal.
- Builds a monthly record of base values and current values that doubles as the data for any future renegotiation argument.
- Connects the contract portfolio to the working capital picture: rising contract costs visible on this worksheet explain margin compression visible in the P&L.

SECTION 3

Framework To Use

— Base-to-Current Gap Analysis

Every active contract is compared along one axis: what was agreed at signing versus what is being invoiced today. The gap is the renegotiation target.

Illustrative Contract Drift — 3-Year Horizon ($5,000 base, 10%/yr)

SECTION 4

How To Use

Follow these steps in order. Each one builds on the previous.

1. Pull the current month's invoices for all recurring contracts alongside the contract inventory. Open last month's version of this worksheet.
2. For each active contract, enter the base value at signing in column two if it is not already filled. The base value is the original signed amount and never changes — it is the permanent baseline for comparison.
3. Enter the current invoiced amount for this month in column three. If the contract is volume-based, use the actual invoiced value, not the budgeted estimate.
4. Calculate the cumulative increase: subtract the base value from the current value, multiply by the number of months since the contract was signed. Enter the result in column four. This is the total extra amount paid above the signing rate, cumulative to this month.
5. In column five, record the escalation clause type: Fixed N%/yr, CPI-based cap, or None. If the escalation clause type is None, mark that contract for a note — it is not neutral; it means the other party can propose any amount at renewal.
6. In column six, write the next adjustment date — the date when the next escalation cycle begins, or the contract expiry date if no next cycle exists.
7. In column seven, set an action flag: Review Due if within 90 days of next adjustment or expiry, Renegotiate if cumulative increase exceeds your threshold, Auto-renews [date] if an auto-renewal deadline is approaching.
8. At the bottom, total column four across all rows. That total is the portfolio-level cumulative drift — the dollar amount paid above signing rates across all active contracts combined.

SECTION 5

Example Use

A mid-sized building products distributor runs the monthly escalation monitor after closing the June books. They have 8 active supply and lease contracts.

The warehouse lease shows a base of $5,000/month and a current invoiced amount of $6,050/month. The contract was signed 26 months ago with a 10%/yr escalation clause. Cumulative increase calculated: ($6,050 - $5,000) x 26 months = $27,300 total above the baseline since signing. Column five shows "Fixed 10%/yr." Column six shows the next adjustment date is 10 months away. Column seven: mark "Renegotiate — cumulative over threshold."

The two vendor contracts show no escalation in column five. The owner notes both for the next renewal conversation: no escalation clause means the vendor can propose any amount at renewal. A CPI-based cap template is prepared for both.

Total column four across all 8 contracts: $41,800 paid above signing rates over the life of the current portfolio. That number has never been visible as a total before. The owner decides that any contract where the cumulative increase exceeds $10,000 gets a renegotiation analysis before the next renewal window.

The warehouse lease crosses the $10,000 threshold. A renegotiation is scheduled for 8 weeks from now, 60 days before the next adjustment date. The argument: CPI for the relevant category was 4.1% last year; the fixed 10% clause runs more than twice the actual cost movement; the counter-proposal is a CPI-based mechanism capped at 5%.

SECTION 6

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

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CONTRACT ID / PARTNER	BASE VALUE AT SIGNING ($/MONTH)	CURRENT INVOICED VALUE ($/MONTH)	CUMULATIVE INCREASE TO DATE ($)	ESCALATION CLAUSE TYPE	NEXT ADJUSTMENT DATE	ACTION FLAG

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. For contracts with a fixed-percentage escalation clause: project the cumulative increase at the end of the current contract term. Write the number. Is that number larger than the estimated cost of renegotiating the clause now, including the time and relationship cost of the conversation?

2. Which contract shows the largest gap between base value and current value? Has that gap ever been brought to the negotiating table? If not — write why not. That reason is either a legitimate constraint or a habit of avoidance. Both are worth naming.

3. Are there any contracts where the escalation clause type column reads 'None'? No escalation clause is not a neutral position. It means the other party can propose any change at renewal and the basis for resistance is whatever you can build from market comparisons rather than the contract itself.

SECTION 7

Tips and Traps

TIPS

- Run this on the same day every month — ideally the day books close. The monthly discipline of entering the current invoiced values is what gives column four its cumulative value. A record with three missing months has gaps that make the trend invisible.
- Set a dollar threshold — say, $10,000 cumulative increase — above which any contract automatically triggers a renegotiation analysis. The threshold prevents every small drift from requiring a decision while ensuring the large ones do not compound quietly.
- When the escalation clause type is CPI-based, pull the actual published CPI figure for that month and enter it as a note in column six. If the actual adjustment is above the CPI ceiling, that is a procedural violation of the clause — catch it the month it occurs.
- Cross-reference column seven action flags against the weekly portfolio review worksheet. Any contract flagged in both documents is a convergence of urgency that needs a decision this week.

TRAPS

- Entering the budgeted amount rather than the invoiced amount in column three. The monitor tracks what is actually being paid, not what was planned. A budget that has drifted from actuals hides exactly the drift this worksheet is designed to surface.
- Treating a small monthly gap as too small to monitor. A $50/month drift sounds trivial. Over 36 months it is $1,800. Across 10 contracts it is $18,000. The cumulative column is the relevant number, not the monthly increment.
- Not totaling column four at the bottom. The portfolio total is the number that makes the renegotiation effort visible as a business-level activity rather than a contract-by-contract administrative task. It is also the number that answers the question 'is it worth the time to renegotiate?' with a dollar amount.

SECTION 8

Appendixes

Appendix A — Cumulative Escalation Threshold Quick Reference

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Suggested thresholds for triggering a renegotiation analysis
(adjust to your portfolio scale):

Contract value per month    | Review threshold (cumulative)
---------------------------------------------------------
Under $1,000/month          | $5,000 cumulative
$1,000 – $5,000/month       | $10,000 cumulative
$5,000 – $20,000/month      | $25,000 cumulative
Over $20,000/month          | $50,000 cumulative OR
                            | any single-cycle increase > 7%

Regardless of threshold:
- Any contract where cumulative increase > 12 months of base value
  is a renegotiation candidate.
- Any contract where clause type = "None" and it has renewed once
  already is a renegotiation candidate at its next renewal window.
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Appendix B — Escalation Clause Type Reference

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Fixed %/yr            : price increases by the stated percentage
                        at each anniversary, regardless of market
                        conditions. Benefits vendor when CPI is low.

CPI-based (BPS)       : price adjusts by actual CPI change for the
                        relevant BPS sub-index. Cap sets the maximum
                        annual adjustment. Most balanced option.

CPI-based (no cap)    : same reference index but no ceiling. Rare
                        but problematic in high-inflation periods.
                        Always propose a cap when negotiating.

Index-linked (other)  : linked to a commodity price index, exchange
                        rate, or fuel index. Common in raw material
                        and logistics contracts. Verify the index
                        is publicly available and independently
                        published.

None                  : no defined mechanism. Price at renewal is
                        whatever the proposing party nominates.
                        Your resistance argument depends entirely
                        on market comparisons at that moment.

Negotiation target    : CPI-based with a mutually agreed cap.
                        Specify the BPS sub-index by name.
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WHERE THIS WORKSHEET COMES FROM

Contract Negotiation Tactics

A Clear Contract Is a Healthy Relationship

by Ibrahim Anwar

This worksheet is one of nine in the *Contract Negotiation Tactics* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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