

CAPITAL & INFRASTRUCTURE BUILDING CONTRACT DIRECTIVE

DATE: Reviewed May 2013

REFERENCE

CONTINGENCY SUMS AND DAYWORKS

1. **Level of Contingencies**

The total sum for contingencies and provisions for dayworks included in tenders should as a general rule be equal to three percent of the estimated value of new construction and five per cent of the value of any alteration works. On alteration works of lower value (typically below £20,000) and maintenance works the level may where justified by the nature of the works be increased to 10%. Only in exceptional circumstances are amounts greater than the above values to be included in tender documents.

2. **When to include Contingency Sum**

The Contingency Sum should be included in the tender sum for all traditionally procured projects.

The Council's preferred way of dealing with the Client Contingency on Design and Build projects is for the Client Contingency to be separate from the tender sum. The Client Contingency should therefore be excluded from the contractor's tender but part of the approved budget for the project.

It is also the Council's preference for a Contractor's Order (the Council's 'One Way To Buy' procedure) to exclude a Contingency Sum. This will mean that the Project Manager will have to raise the (One Way To Buy) Order limit each time an amount of Contingency is spent, but it will be a more transparent process as far as the Council's audit trail is concerned, albeit, the Contingency Sum will not be visible to the Contractor (which is the Council's preferred position).

3. **Dayworks**

Bills of quantities, specifications and schedules of work should include provisions for tenders to include in their tenders for the percentage additions which are to be applied to the net daywork rates for labour, materials, plant and sub-contract accounts to cover "on costs."

In order to ensure an element of competition in the percentage additions which the tenderers submit, approximately a quarter of the total contingency sum referred to above should be included in the bill, specification, schedules of work or employer's requirements as provisional sums for daywork, labour, materials and plant. Against each sum provision is to be made for tenderers to insert their percentage additions and extend the resulting cost together with the provisional sum into the cash column for incorporation in the tender.

In the calculation of the amounts of the provisional sums to be included for dayworks it will be necessary to gauge the likely percentage additions and their resulting costs so as to arrive at a total contingency sum on tender close to the level referred to in paragraph 1 above.

NOTE:

THIS DIRECTIVE IS APPLICABLE TO THE MAJORITY OF SCHEMES BUT IT WILL NOT NECESSARILY BE APPROPRIATE TO ALL WORKS AND THEREFORE ON EACH SCHEME IT WILL BE NECESSARY TO CHECK THE SPECIFIC REQUIREMENTS.

4. **Expenditure of Contingencies:**

The contingency sum and daywork provisions are only intended as provisions to meet unexpected expenditure arising during construction from events which could not reasonably have been foreseen when tenders were invited, e.g. adverse conditions on site which could not have been predicted. The sums are not intended to be used for changes to the original design or to make up deficiencies in the original design or documentation.

CONCLUSION

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