Term Contract Model

1 One type of construction / improvement works contract for car park works is the term contract model, where the contract length and value are indicated for tenderers to bid their adjustment to the schedule of rates. Due to the complexity of some of the potential works, there are also Civil and Structural (C&S), Mechanical and Electrical (M&E) and Quantity Surveyor (QS) consultants overseeing the works.

2 The consultants work on a fee-based approach based on their tendered percentage of the contractor’s (successful tenderer) work value for each work instruction (WI). However, because the works can range from a few hundred dollars to over one hundred thousand dollars, it does not make business sense for the consultants to provide their services and earn less than ten dollars for their effort as their fees are usually a low single digit percentage. Hence, a minimum fee is included as part of the contract to be paid to the consultants for each WI that is completed. This minimum fee is shared among the consultants and apportioned based on their fee percentage.

3 While the above is simple and straight forward in theory, it becomes an administrative nightmare in practice for both contractor and consultants when submitting claims. A simplified workflow for a WI is as follows:

* A request for improvement works is routed to the consultants and contractor
* A site visit is carried out where they conduct assessment of the scope of works
* The contractor submits an estimated breakdown of the items for approval
* Upon approval, contractor mobilizes and commences work on site
* Depending on complexity and duration of work, contractor may submit a progress claim or full claim while the works are still ongoing or upon completion of work
* For works that are completed, the claim process for both contractor and consultants is straight forward because all figures can be computed
* For progress claims, to prevent overpayment to the contractor before the works are finalized, there is a 60% cap for the claim based on the estimated value that were submitted for approval

The claim amounts for consultants who are claiming based on these progress claims will need to be calculated to determine the pro-rated minimum fee. This is a tedious calculation if done manually. Staff can take on higher value work if the claim calculations are all automated.

4 Hence, based on the parameters provided from the Activity Manager of the term contract, such as number of claims and their maximum claim percentage for the first claim, the Term Contract Model Excel file has been built to automate all claim calculations and budgeting needs. Staff will only need to enter basic information about each WI into the blue worksheets (“Baseline Fees”, “Actual Fees” and Claims”) and the Power Query steps that had been set up will automatically calculate all figures when the file is refreshed.

5 Conditional formatting is also applied on the output worksheets based on requirements provided to alert the user to any conditions that might require further action or checks. Staff will not be required to manually calculate and tally figures to check the claims that come in.

6 As the conditions for each contract can vary with time, the variable conditions such as consultants’ fee percentage and consultants’ minimum fee are not hardcoded and can easily be amended in the lookup table and Power Query step. This allows it to be scalable and does not require a new model to be built for each new contract.