



THE CONTENT OF CONSTRUCTION CONTRACTS LEVEL 4

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12 STEPS OF TYPICAL CONSTRUCTION PROJECT

- 1. The client needs a **structure**.
- 2. The client approaches an **architect or engineer**.
- 3. A **basic scope** of works is agreed on.
- 4. A professional **team is appointed**.
 - e.g.- Project manager - Architect
 - Quantity Surveyor-Structural Engineer
 - Civil Engineer - Mechanical engineer
 - Electrical engineer - Environmental consultant
- 5. The team discusses the **design** with client till concept is defined, **preliminary structural design and costing** of project.
- 6. **Site plan is submitted** to relevant local authority and **legal processes are started**.
- 7. The professional Quantity Surveyor draws up **tender documents** for tendering process
- 8. **Tender is awarded** to successful contractor
- 9. The contractor **begins work**
- 10. Contractor and team meet to deal with **design problems, contractual issues and other project related issues**
- 11. Contractor **completes work**.
- 12. Contractor **repairs** any defects that occur **after the contract completion** for a predefined period of time

TENDERING PROCESS

1. The employer or representative **advertises the tender**.
2. Potential contractors visit the site for **site meeting** to investigate and assess potential.
3. Contractors **buy tender documents**.
4. **Pricing and technical enquiries** are made by the contractor to subcontractors, suppliers and specialists.
5. Contractor **receives feedback** and **compiles his tender**.
6. Contractors **submit** their tenders by the due date.
7. Tenders are **evaluated** on the basis of a combination of the following aspects:
 - Cost and environmental criteria**
 - Quality/Ability**
 - **Duration**
 - BBBEE**
 - Safety**
 - **The clients requirements**
8. The employer **awards** the contract to the winning tender.

MONTHLY ACTIVITIES TO COMPLETE DURING THE CONTRACT

During construction project the contractor and employer or employers representative have regular meetings to monitor the progress of the project and the quality of construction.

Meetings are held regarding the monthly payment certificate by Contractor/Consultant/Quantity Surveyor and Employer representative to review work done during the month. BoQ and project programme as references.

Once both parties are in agreement a payment certificate is filled out and employers representative certifies it. Payment is done within agreed timeframe in contract

PAYMENT CERTIFICATE EXAMPLE



Payment Certificate issued in terms of 31.0 of the Principal Building Agreement

Certificate No
(Interim or Final)

Employer									
Contractor									
Works									
Site									
Valuation date:		A		B		C		D	
Payment due date:		CONTRACT SUM		CURRENT CONTRACT VALUE		CURRENT VALUATION		CURRENT CERTIFICATION	
1.0	Value of work executed (31.4.1)								
2.1	Materials on site (31.4.2)								
2.2	Materials off site (31.4.2)								
3.0	Security adjustment (14.7.1, 31.8)	(yes/no)	<input type="text"/>	(if Yes)	<input type="text"/>	%	<input type="text"/>		
4.0	Net contract amount	<input type="text"/>		<input type="text"/>					
5.0	Adjustments to contract value (32.0)	<input type="text"/>		<input type="text"/>					
6.0	Contract price adjustment (32.13)	<input type="text"/>		<input type="text"/>					
7.0	GROSS AMOUNT CERTIFIED	<input type="text"/>		<input type="text"/>					
8.0	Less: Previous gross amount certified (31.4.3, 34.6.2)	<input type="text"/>		<input type="text"/>					
9.0	NET AMOUNT CERTIFIED	<input type="text"/>		<input type="text"/>					
10.1	Less: Expense and Loss (Recovery Statement 1.1)	<input type="text"/>		<input type="text"/>					
10.2	Less: Penalties (Recovery Statement 1.2)	<input type="text"/>		<input type="text"/>					
10.3	Add: Damages (Recovery Statement 2.2)	<input type="text"/>		<input type="text"/>					
11.0	SUB TOTAL	<input type="text"/>		<input type="text"/>					
12.0	Add: Tax on 11.0 (31.5.5, 34.7.3)	<input type="text"/>		<input type="text"/>					
13.1	Less: Interest / Advance Payment Recoupment (Recovery Statement 1.3)	<input type="text"/>		<input type="text"/>					
13.2	Add: Interest / Advance Payment Made (Recovery Statement 2.1)	<input type="text"/>		<input type="text"/>					
14.0	TOTAL	<input type="text"/>		<input type="text"/>					
15.0	CERTIFIED AMOUNT DUE FOR PAYMENT TO THE (Contractor / Employer)	<input type="text"/>		<input type="text"/>					
16.0	Contract sum execution % (Variable construction guarantee only)					(D7.0 ÷ A11.0 × 100)		<input type="text"/>	%
Security status (Mark each box with a ✓ or X)		16.0 < 50%	<input type="checkbox"/>	16.0 > 50%	<input type="checkbox"/>	Practical completion	<input type="checkbox"/>	Final completion	<input type="checkbox"/>
Signed by the principal agent who, as agent for the employer, certifies that the positive or negative amount stated in D15.0 above is due and payable						Signed:			
Name of firm:						Date:			

THE HAND-OVER PROCEDURES

- ❖ The contractor invites the employer to inspect the project
- ❖ The employer inspects the project and prepares a snag list of outstanding or faulty work
- ❖ The contractor accepts the snag list, finishes all the outstanding work and fixes any problems
- ❖ The employer carries out a final inspection. If he is satisfied, he issues a certificate of practical completion
- ❖ The contractor hands the building over to the employer

CERTIFICATE OF COMPLETION EXAMPLE

Certificate of Completion	
Issued in terms of the Principle Building Agreement	
Employer	
Contractor	
Works	
Site	

The Principal Agent hereby certifies that the following was achieved:

	Yes	No
1. Practical completion	<input type="text"/>	<input type="text"/>
2. Works completion	<input type="text"/>	<input type="text"/>
3. Final completion	<input type="text"/>	<input type="text"/>

If 3. is no, then:

4. The following number of sections have been completed:	<input type="text"/>
	(Write in words)
The total number of sections is:	<input type="text"/>
	(Write in words)
The above was achieved on this date:	<input type="text"/>
Where a Works Completion Certificate is certified, the Defects Liability Period ends on this date:	<input type="text"/>

Signed by: The Principal Agent as an agent of the employer	Signed:
Name of firm:	Date:

THE PREPARATION AND HAND OVER OF THE FINAL ACCOUNT

After the building is complete and project is handed over, the contractor needs to get paid for all his work

A final account is compiled by employers quantity surveyor. The QS has to take into account all the work done including all variations and extra work and all payments that's been made.

The employers and contractors QS must agree on the variations before the final account is compiled.

The final account is first prepared in draft form and is sent to the employers architect for his comments. **The employers QS must check:**

- ❖ All provisional measured work in the BoQ has been remeasured and included
- ❖ Adjustments due to errors in the original priced BoQ submitted by the contractor when tendering have been included
- ❖ All extra costs or savings that the architects instructions may have caused are included

FINAL ACCOUNT EXAMPLE

FINAL ACCOUNT for NEW RESIDENCE FOR OWNER at ERF 1063, No13 Greenfields Avenue, NEWLANDS		
ACCEPTED CONTRACT SUM (Inclusive of 14% VAT)		R 3,578,956-00
LESS: 14% Value Added Tax	-	<u>R 439,520-92</u>
		R 3,139,435-08
LESS: Contingency sum allowed (excluding VAT)		R 300,000-00
LESS: Provisional sums allowed in contract sum		R 1,102,890-00
ADD: Actual costs incurred for specialist subcontract work executed on site (Excluding VAT)		R 1,456,788-00
LESS: Prime Cost amounts allowed for supply only of specified goods (light fittings, sanitaryware, etc)-		R 850,000-00
ADD: Actual costs of supplying specified goods (Ex VAT)		R 720,568-00
OMIT: Contractors profit and attendance allowed on Provisional Sums (15% allowed by contractor in his tendered contract sum)	-	R 165,433-50
ADD: Contractors profit and attendance on actual costs (15% as per original tender)		R 218,518-20
OMIT: Contractors markup allowed on Prime Cost amounts (5% allowed by contractor in his tendered contract sum)	-	R 42,500-00
ADD: Contractors markup on actual costs of supplying Specified goods (5% as per original tender)		R 36,028-40
ADD: Net extra arising from contract instructions (Ex VAT)		<u>R 364,321-00</u>
ADD: CURRENT CONTRACT VALUE (Ex VAT)		R 3,474,835-18
		<u>R 486,476-93</u>
LESS: Previous payments to contractor (Payment certificate No's 1 -9 including VAT)		R 3,961,312-11
AMOUNT NOW DUE TO CONTRACTOR IN FULL AND FINAL SETTLEMENT OF ALL OUTSTANDING CLAIMS		<u>R 3,156,987-11</u>
		R 804,325-00

FIGURE 1.9 A sample final account

THE DEFECTS LIABILITY PERIOD AND RESPONSIBILITIES OF THE CONTRACTOR

Towards the end of a project the contractor asks the employer to inspect the project and create a snag list and contractor has to fix it.

Once everything is fixed and employer is satisfied, the principal employers agent issues the employer with final completion certificate. The employer is now obliged to pay the outstanding retention money to the contractor

THE COMPLETION OF THE CONTRACT AND LATENT DEFECTS

The contractor is obliged to repair latent defects for several years even though he has been paid in full. These are defects that were not apparent when the final completion certificate was handed over.

The period is stated in the contract , example leaks, major cracks and cracked roof tiles.

KEYWORDS

WORD	DEFINITION
TENDER	A formal offer to do work for a stated fixed price
CIDB	Construction Industry Development Board lists all recommended tender procedures that government institutions has to follow.
SURETY	A financial guarantee provided by a backer to get loan should something go wrong during construction
DEFECTS LIABILITY	A period of time during which the contractor is responsible for fixing any defects to items of work(such as paint, carpentry and concrete)
LATENT DEFECTS	Defects discovered after moving into a building.



END, THANK YOU.