

**Construction Contract Charging Model (Example £1m contract)**

**External Contractor (enabling)**

Contract Start £1m

Management fee of 12% of the overall contract **£120k** (Remaining £880k)

(for management arrangements attendance on site and direct administration)

Sub-Contract all works through their own procurement processes, lowest price wins.

Total percentage charged to P&A=  
 £120k  
 £31.7k  
 £42.2k  
 £15.8k  
 £15.8k  
 Total- £225.5k

Typically 30% of the contract sum=  
 $£880 \times 30\% = £264k$

Typically 40% of the contract sum=  
 $£880 \times 40\% = £352k$

Typically 15% of the contract sum=  
 $£880 \times 15\% = £132k$

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 $£880 \times 15\% = £132k$

Groundwork and external works contractors

superstructure

Mechanical

Electrical

A Mark up of 12% per sub-sub-contract is charged  $£264 \times 12\% = \mathbf{£31.7k}$

A Mark up of 12% per sub-sub-contract is charged  $£352 \times 12\% = \mathbf{£42.2k}$

A Mark up of 12% per sub-sub-contract is charged  $£132 \times 12\% = \mathbf{£15.8k}$

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Sub-Structure  
 External Works and Landscaping  
 Itches and Outdoor space

Blockwork / Brickwork  
 Carpentry  
 Windows and doors  
 Roofing

Pipework  
 Boilers  
 Renewables

Power  
 Lighting  
 ICT  
 Renewables

On each occasion a contract is sub contracted the parent contractor takes 12% for the management, attendance and direct administration of that contractor. In this model the amount of money that is lost on a £1m project would typically be in the region of £225k. In addition this process is out of the control of the LA and does not necessarily support good procurement practice and encouragement/support of the local SME's. The sub-sub-contractor is the one that suffers having to burden the costs in the procurement chain above them. The amount of money spent on actual labour and materials is approx. 77% of the total project budget.