

# Contract Works Price Analysis Guide

## Purpose

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This guide details the process for the conducting price analysis for Contract Works open tenders.

The objectives of price analysis are to:

- provide assurance that tender pricing is accurate and realistic
- obtain a single price for each tender that accurately reflects the likely value of a resulting Contract
- provide a valid means for comparing tender prices and determining relative value for money
- contribute toward the selection of a preferred Tenderer that represents the best value for money.

Definitions are provided at the back of this guide.

## Contract Works Price Analysis Process

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### Prior to Approach the Market

1. Analyse the Contract Works in order to:
  - estimate the **Increase Variation %** (between 5-10%)
  - determine whether to set **Provisional Sums** (and if so, define the scope of each and assign a value to each)
2. Detail the **Increase Variation %** and **Provisional Sums** in the Procurement Plan (to be approved prior to approach to market)
3. Complete the Contract the Contract Works Price Analysis Workbook to meet the Requirements of the procurement including detailing **Provisional Sums** if applicable (do not detail the **Increase Variation %** in the RFT or Works Price Schedule Template). The Contract Works Price Schedule Template sets out the Price information to be provided by Tenderers:
  - **Preliminary & General** costs
  - **Trade Summary** costs
  - **Contractors Margin %**
  - **% On Onsite Overheads** (for cost increase variations)
  - **% On Offsite Overheads** (for cost increase variations)
  - **% From Onsite Overheads** (for cost decrease variations)
  - **% From Offsite Overheads** (for cost decrease variations)
4. Include the Contract Works Price Schedule as an attachment to the Tender Notice

### Following Deadline for Responses

5. Analyse each Tenderer's tags to determine **Tag Premiums**. Analysis should:
  - take into account how a Tender's tags may be reflected in their proposed **Preliminary & General** and/or **Trade Summary** costs
  - be on the basis of not including **Contractors Margin**





<b>Preliminary and General</b>	Breakdown of costs to be incurred before commencement or that are not directly attributable to an individual trade
<b>Provisional Sums</b>	Amounts estimated by the Principal for elements of the project that would be difficult for Tenderers to price accurately (e.g. ground works). The setting of <b>Provisional Sums</b> allows for a like for like evaluation of responses. The use of <b>Provisional Sums</b> is optional
<b>Increase Variation %</b>	An estimate made by the Principal of the percentage by which the Contract value may increase after commencement, typically between 5-10%
<b>RFT</b>	Request for Tenders
<b>Trade Summary</b>	A breakdown of costs by individual trade