

THE ULTIMATE GUIDE TO SUBCONTRACT TENDERING

UNCOVER YOUR NEXT BIG WIN



Introduction

On an average project, you procure somewhere in the region of 10 to 20 subcontractors depending on how much you break things down. Getting subcontract procurement right will affect the success of your project. Subcontracting accounts for approximately 90% of the build-cost, so the art of procurement is a skill worth mastering.

Why is a quality tender document not widely considered as critical to the success of the project?

If you issue quality tenders, you'll receive quality quotes.

When issuing tenders, your aim is to receive multiple like-for-like quotations that are:

- Simple to analyse
- Within or under your budget
- Allow you to make a quick decision for the benefit of your project

Failure to issue quality tenders means you will issue information that is hard to comprehend and will result in receiving fewer quotations back. Those you do receive back will be harder to analyse and non-compliant in many areas.

We believe that **"You get out what you put in. If you want more, give more"**.

Follow these 5 Steps and you can beat your budgets and achieve subcontract success.



1

Pre-Qualification and Due Diligence

Some of the most important work is done at the beginning. It is very important to identify and verify subcontractors for your tender. We'd advocate tendering to something between 3 to 5 subcontractors per package, because if 1 contractor drops out you will not be short-handed. Anything less than 3 will likely expose you to too few tenders and anything more than 5 is simply unnecessary given the pre and post tender validation required. You will be wasting both yours and the subcontractors time.

When you've identified subcontractors that you think are suitable, it's to initiate background checks and establish the financial stability and viability of the business's expertise. However, bear in mind that financial information is frequently out of date and any recent events affecting a business' financial security may not be reflected in the available reports, so this information isn't definitive, but it is informative.

As well as looking at the subcontractor's portfolio, it's important to investigate their capability and track record in carrying out the type of works that is being planned to ensure they have the necessary skill set and experience to deliver the package in prospect. For example:

A company that regularly build two storey load-bearing masonry houses may not be an appropriate choice for constructing reinforced concrete framed medium rise apartment buildings, irrespective of whether both are residential developments.



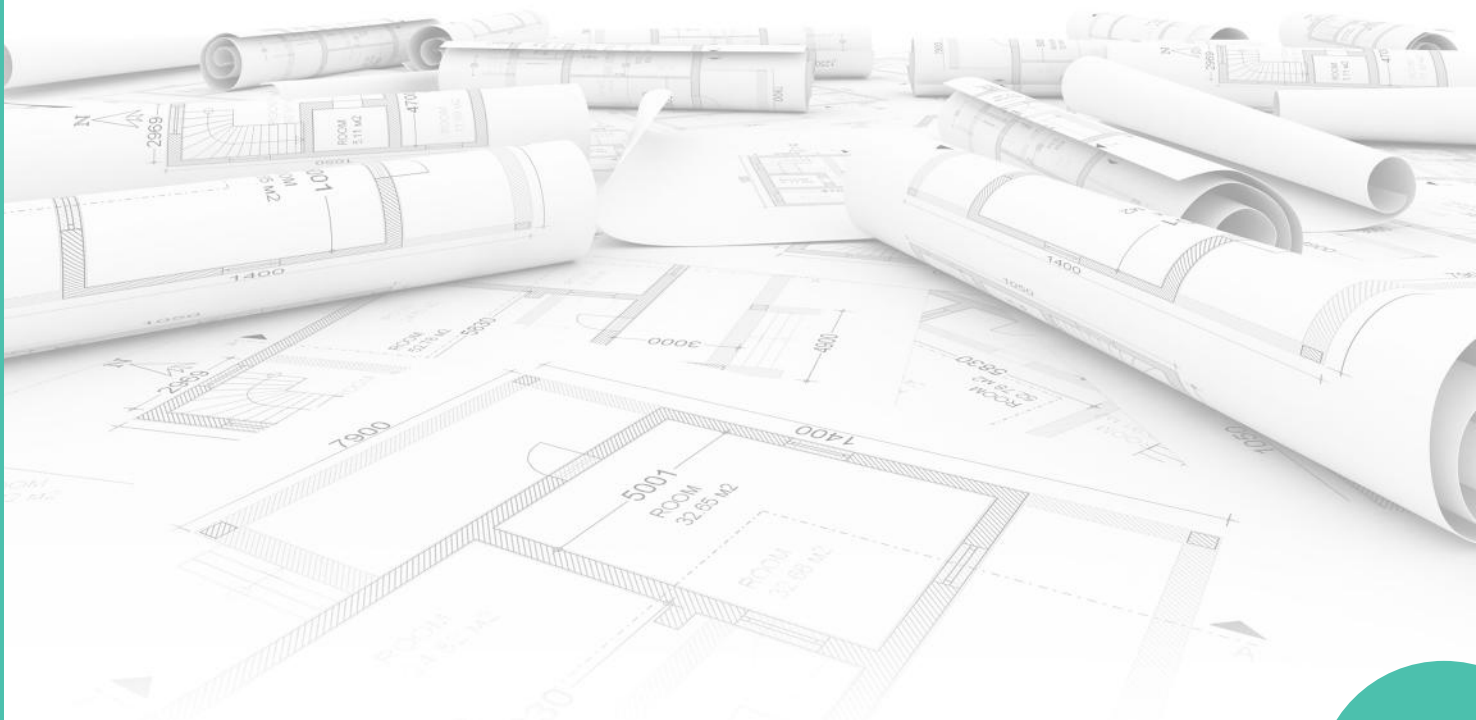
Another related aspect often over-looked is capacity: does the business have the appropriate resources available to service your project? The location of the development in relation to the head or regional office of the businesses under consideration for selection is also a relevant factor. A site that is remote from a contractor's base is likely to suffer from a higher churn of site-based personnel and inadequate attention from office-based management, both of which are likely to affect the delivery of the project.

We recommend that you request references. As well as dealing with actual projects undertaken recently, the references should include all aspects of dealing with the company, including aftersales and commercial performance. Each subcontractor is also required to provide details of its insurances, claims history, and health and safety procedures.

These background checks gauge its overall suitability to carry out your project. As part of its tender response, we would look for a project specific response on how the project will be managed, including an organogram, an indicative programme, and potentially even a logistics plan and methodology if appropriate. Whether it is feasible to do this in every case will depend upon the project and the degree to which the package has been defined at the time that the pre-qualification exercise is being undertaken.

Quick Takeaway:

1. Do they have capacity?
2. Are they suitable for the project, have they done other similar schemes nearby?
3. If so, have you got references or visited those sites?
4. How do they manage Health and Safety performance?
5. Depending on the size of the scheme, consider financial checks. How will they fund the project?



2

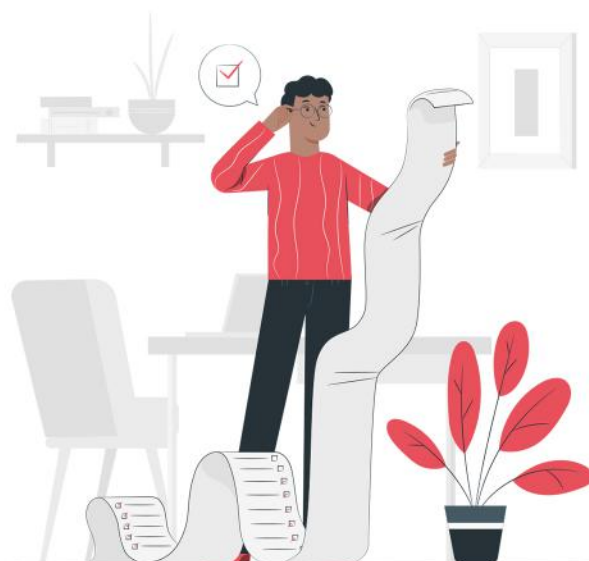
Pricing Document BoQs

You should prepare a Pricing Document to allow the quantification and costing of the works and we recommend that you prepare and issue this document as part of the tender. A Bill of Quantities (BoQ) or any other pricing document (e.g. Contract Sum Analysis (CSA); Schedule of Rates (SOR) etc.) should include specification references where applicable, allowing the subcontractor to build up the price.

Many don't produce a BoQ to avoid the cost of doing so and some even fear that issuing a BoQ means taking on the responsibility for the quantities. Although it may save cost if you do not produce a BoQ, this will lead to subcontractors producing their own take-offs or price build-ups and you will have no common basis to compare tenders.

Depending how the price for the works is then incorporated into the order, there is the risk that scope gaps, specification changes, and quality deviations will be incorporated into the subcontract agreement. This may lead to unbudgeted cost increases and disputes about what has been included. It is far less risky to include your own Pricing Document / BoQ.

Having a BoQ in place also brings immeasurable benefits as each subcontractor will be able to respond more quickly and price on your terms and therefore on a like-for-like basis.



Having a BoQ in place also serves as a management tool for the project. Contracts should always contain contract rates for the work. A BoQ provides a basis to value any likely changes and assists valuing the works in the monthly applications for payment.

Give careful consideration to the risk allocation of 'with or without quantities' contracts. If the contract is with quantities, the BoQ takes precedence over the drawings and specification. Any missing items from the BoQ are dealt with as a change and therefore a client risk. Conversely, where the contract is drawings and specification and there are items missing from the pricing document, as long as these items are covered within the drawings and specification, these would be deemed to be included within the contract lump sum and therefore are at the risk of the Contractor.

Regardless of the risks, the benefits are tangible and will make the tender process simple and effective. It will speed things up, allowing you and the subcontractors to focus on intelligent value engineering solutions as opposed to measuring a project for which you already have the quantities.

Quick Takeaway:

1. Providing a BoQ means you receive like-for-like tenders, making the tender analysis and comparison process simple and effective.
2. A BoQ will improve the speed and quality at which tenders are returned.
3. The BoQ is inserted into the contract and used as a management tool, providing a pre-defined method of valuation (for variations and applications) for the rest of the project.



3

Scope of Works (SoW)

The BoQ and the SoW document sit together and when you're drafting the SoW it should 'talk' to the BoQ.

The objective of this document is simple: it needs to clearly outline and define the deliverables of the package and what you expect from the subcontractor.

At the beginning of the document it is best practice to confirm what the package includes in terms of design, supply and/or installation and it should explicitly say something like:

"The scope of works for this package includes for the design, supply and installation of the aluminium windows and doors ..."

After this, clearly list and describe the deliverables of the package and make explicit reference to the drawings and documents attached. You understand the detail of the project and whilst creating a tender document, try to keep in mind that **your sole objective is to impart your knowledge onto the reader to give them a comprehensive understanding.**



One way to make life simple is to split the SoW document into sub-headers:

- Measured Works
- Preliminaries
- Interfaces
- Other Items for Consideration

To ease understanding, you should refer to the relevant documents associated to the package i.e. specification, window schedules, drawings etc. throughout. An example of how to format a SoW document is provided overleaf.

Quick Takeaway:

1. Have you explicitly confirmed what the subcontractor needs to deliver?
2. Have you explicitly confirmed what you require from the subcontractor in terms of management, insurances, health and safety and plant/access?
3. Have you referred to the BoQ and other documents in your descriptions to support the reader's comprehension of the scope?



Example SoW

The scope of works for this package includes for the design, supply and installation of the aluminium windows and doors as described below and noted in the NBS Specification, Drawings and Window Schedules.

Measured Work:

- BoQ Item 01: 50 nr. aluminium windows as noted on the appended window schedule.
- BoQ Item 02: 10 nr. external aluminium doors as noted on the appended window schedule
- BoQ Item 03: On Windows W-01 and W-02 automatic window operator to be installed by subcontractor. Please refer to Drawing X-Y-Z.
- All windows and doors to have handles installed by the subcontractor as noted on the Architectural drawings.
- All windows and doors to have sills, reveals and/or thresholds installed by the subcontractor as noted on the Architectural drawings.

Preliminaries:

- The Subcontractor is to include for on site management of their works
- The Subcontractor is to include for the design of their works
- The Subcontractor is to hold Professional Indemnity Insurance to £1million
- The Subcontractor is to have CSCS operatives on site only.

Interfaces:

- **BRICKWORK:** A key interface in this package is the brickwork package and the subcontractor will be required to install windows to brickwork apertures by others. The subcontractor will be required to seal the windows with silicone and expanding foam into these apertures.
- **M & E:** Windows W-01 and W-02 have automatic operators. The subcontractor is required to install the operators with 1 metre of cable to be connected by the M & E Contractor.

Other items for Consideration:

- **PROTECTION:** The window and doors will be installed in advance of Practical Completion and site works will continue around them. Your best advice on how to manage the risk of damage would be appreciated. Could you offer some solutions for protection in your submission

4

Invitations to Tender

The invitation to tender letter is an important piece of the puzzle in terms of presenting your enquiry. This should be presented in a standard letter format and cover the following:

- **TENDER PERIOD:** How long does the subcontractor have to return a price
- **TENDER RETURN:** Explain the documents you'd like listed in your tender return
- **THE CONTRACT:** Explain the details of any potential contract terms and conditions
- **DOCUMENT LIST:** List and categorise documents that are relevant
- **VALUE ENGINEERING:** Ask the specialist for intelligent solutions to reduce costs

Tender Period:

Choosing a reasonable tender period for the subcontractors to review and return their quotes can sometimes be difficult. It is a case of balancing your own programme against the quality of the tenders you want to receive.

Generally, the more time you give, the better the returns will be. Our suggestion on appropriate timings is below:

- Install Only Tender:.....2 weeks
- Supply & Install Tender:.....2 to 3 weeks
- Design, Supply & Install Tender:.....3 to 4 weeks



Tender Return:

You've spent a lot of time creating a BoQ, SoW and you want to receive like-for-like, comparable tenders. Therefore, make it clear that any quotation must be formatted in the exact way you wish, or it will not be considered.

Also make it clear that it should include certain key items

- Quotations will only be accepted if broken down on the BoQ provided
- Please include an indicative programme
- Please provide Insurance certificates and Tax / CIS details

The Contract:

It is imperative that you provide details of the Contract you will give the subcontractor in the event they're successful. If you do not, you may enter a further phase of negotiation on the contract terms, which may increase the overall price.

If you're clear on what the conditions of the contract will be, the payment terms, and key matters like retention and practical completion etc. negotiations on contract and terms will be much quicker and smoother and will not affect the price.

Document List:

The tender will include multiple drawings (architectural, structural, m & e etc.), specification, a SoW and a BoQ. Creating a documents list will make the tender simple and comprehensible to understand. What's more, should any queries or disputes arise in the future it will also make it simple for you to identify and refer to documents that support your position.

Value Engineering:

Construction is a highly technical industry with hundreds of trades, making it almost impossible for any one person to understand all the different specialties. The subcontractors will better understand the technical details of their package and therefore, wouldn't it be nice if the experts gave you some insight into how best to manage things?

We advocate requesting value engineering solutions from the subcontractor and you should mention this in your letter to invite cost-saving initiatives.

Quick Takeaway:

1. Have you given the subcontractors a suitable amount of time to return the tender?
2. Have you confirmed exactly what format you'd like to receive the tender in?
3. Have you confirmed the contract conditions?
4. Have you listed out the relevant information for that package?
5. Have you asked for Value Engineering solutions to be put forward?

5

Follow Ups and Mid-Tender Meetings

Regardless of how much time you've given the subcontractors to return tenders, it is good practice to follow up your enquiry at the half-way point. For many, this is seen as an unnecessary exercise, but this really is the key to getting a complete set of tenders back that mean something.

A follow up call or meeting brings with it only advantages:

1. It serves as a reminder of the pending deadline.
2. It allows you to start building a relationship with the subcontractors.
3. It allows you to iron out any uncertainties or queries early.
4. It allows you to reiterate your requests in terms of formatting to ensure the subcontractor delivers everything you've asked for and fills out your BoQ.
5. It allows you to reiterate your request for Value Engineering and to mention that this will be key in your decision making.



It may be time consuming to call all the subcontractors, but it means you're much more likely to receive complete tenders, in the format you wanted, and on time. It is much simpler chasing them up midway through the tender than on the day of the deadline.

If procurement is done well and you spend the time to make sure everything is picked up, there are only benefits. Good procurement generally leads to:

- Both parties entering into a contract with a complete understanding of their risks.
- Reduced friction between the parties as the chance of missed scope leading to variations is significantly reduced and improves collaboration.
- Increased opportunities for Value Engineering which can reduce overall build costs and programmes.

