

# CLIENT RESOURCE

Single Residential Projects

TYPES OF TENDER





Birchgrove House | PASSER | Photography: Pablo Viega

# TYPES OF TENDER

## WHAT IS A TENDER?

Tendering refers to the stage of the project where a builder, or builders, provide a written quote to carry out the building works associated with bringing your project to life.

There are many types of tender. Selecting the right tender process is critical for making sure your project runs smoothly. There are advantages and disadvantages to each type of tender, the most common are detailed below.

## COMPETITIVE TENDER + LUMP SUM CONTRACT

This is the most common type of tender for domestic scale works. More than one builder will be invited to tender and provide a fixed price to carry out an agreed scope of work within a fixed period of time.

### Key aspects of a Lump sum tender:

- Cost certainty for owner once a price has been agreed upon
- Competitive pricing
- Ability to choose the builder based on price, timing and personal relationship
- Once the tenders have been submitted and reviewed there is the opportunity to negotiate
- Opportunity to cross check the tenders and make sure each builder has included all of the works
- During the tender process, your architect can gain a better understanding of what each builder is like to work with and how they solve problems
- If you are borrowing from a lending institution to fund the project, a lump sum contract is often insisted upon by the lender.
- Tender period given to builders for quoting is usually 4-6 weeks.

It is essential that the tender process is conducted in a fair and transparent manner with all builders receiving the same information, including responses to questions throughout the tender process. This allows for prices to be comparable.

## NEGOTIATED TENDER

A negotiated tender is undertaken with one or two builders only.

### Key aspects of a Negotiated tender:

- Can be a good process if the client has a specific builder they wish to work with
- Allows the builder to be involved in the project earlier on in the process
- If there is an inflexible budget, the builder can help reduce costs or suggest alternative building methods
- Can move the project along faster as there is no tender period
- The project documentation can be less complete as many details will have been discussed with the builder
- Fixed cost is achievable
- A builder may charge for their time to quote the project and provide their input.

## COST PLUS

The contract value of a Cost-Plus contract is not known until the works are complete. The owners will pay for the cost of material and labour **plus** the builder's margin and GST.

### Key aspects of a Negotiated tender:

- Flexibility for the client to change their minds or make decisions about the project as the building is being built
- Often a good contract to use when quality is the key driving factor
- May be used if timing and cost are not critical of the project
- If the scope is unknown due to existing site constraints, a cost plus contract may be the most cost effective option
- There is no 'risk' built into the builders contract price, the risk is worn by the client
- Contract Administration is more time consuming for your architect as all invoices are to be checked
- Construction can commence earlier as there is no tender period
- Documentation can be incomplete as details can be resolved on site by your architect and builder as they arise
- Lenders may not allow a cost plus contract due to the uncertainty of the final price

Refer to the AIA Client Resource: *Tender process and Builder Procurement* for an overview of the tender process.



Highlight House | Bastian Architecture | Photographer: Justin Aaron Photography + Bastian Architecture

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