

Contracts

Design Team

A building project involves a series of relationships with a variety of professionals. In most cases each relationship will involve paying fees in return for a service, which in each case will mean that you will enter some form of contract. These contracts can be as simple as an exchange of letters, or they may use a more thorough standard form, depending on the extent of the input required; for example an architect's appointment commonly uses the RIBA Standard Form of Agreement.

It is down to the two parties to agree the basis on which you pay different members of the design team. There are many ways this can be done, for example:

Lump Sum: Where the scope of the work required is well-defined a lump sum may be appropriate;

Percentage of construction cost is an arrangement that flexes with the size of the project. A building project should be a creative and exploratory process; as such it is not possible at the beginning to foresee the end result in any detail, and it is therefore not possible to predict accurately how much work is involved. This is where a percentage fee may be appropriate.

Time charge: The meter is running and, as with a taxi ride, you simply pay for the time it takes. This can be good for more minor aspects where the work is carried out on an ad hoc basis; it also puts the onus on you as the client to be organised.

The basis for payment is one important item for discussion when interviewing, but of course should not be the only criterion for selection.

As an initial rough guide anticipate paying about 10% overall for your professional costs for a new build project. Fees will be higher on work to existing buildings, because there are more decisions to be made here than in designing a new building. For works to listed buildings there is still more to think about and co-ordinate, and more people to liaise with and get approval

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from, so expect the fees here to be a bit higher again. Remember professional costs normally have VAT on them.

Building Contracts

Much the biggest contract you will enter into is the one with the builder for the actual building work. This will use one of the standard forms (usually JCT, or perhaps NEC). The type of contract will usually be proposed by your architect and/or project manager (if you have one). In essence the contract is simply a promise by the builder to complete the works described by the design team for £X, starting on Y date and finishing on Z date. The terms of the contract then describe important issues such as how the builder is to be paid and when, how the cost of the contract can be varied when something changes, and how the time can be extended. Most contracts also include a facility for 'partial possession', which will be important for a project with any sort of a phased completion.

Most building contracts allow for monthly valuations of (and payment for) the work completed, and as the work progresses for a retention to be kept back until the end. Typically this retention is 5% if the value of the works up to the point you take possession of the building, and 2.5% from then until all the snags are ironed out at the end of a defined 'defects period', which usually runs for a year.