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PR-002  
**INTRODUCTION TO  
CONVENTIONAL CONSTRUCTION  
PROCUREMENT METHODS**

**TARGET AUDIENCE & OBJECTIVES:**  
Anyone involved in the Scottish construction industry who has an interest in but limited knowledge of procurement methods, especially SMEs. Offers an introduction to the various forms of construction procurement methods.

**Traditional Method**

Prior to the Latham and Egan reports in the 1990s, the traditional method of procurement involved the Client either carrying out the design of a project in-house or engaging a consultant to design the project.

This would be followed by a contractor selection process, usually based on cost, with quality and time being determined by the Client.

Both reports promoted collaborative (or partnership) working as offering better value for money, particularly on large projects. However, other methods of construction procurement include the following:

**Design & Build**

There are many variants on design and build contracts and in many instances initial design work will be undertaken by the client before transfer to the design and build contractor. Thereafter the contractor takes single-point responsibility for the design and construction.

In addition it should be noted that in the traditional method of procurement an element of design responsibility will often be transferred over to the contractor. This is achieved by identifying elements of the work to be a Contractor Designed Portion. Commonly, this will be issued where there are elements of work in respect of which the design can only be completed by utilising the expertise of specialist sub-contractors eg cladding, M&E Services, lift installations, steel connections etc.

**Construction Management**

A 'fast track' strategy where works packages are let before the design of later packages has been completed. A construction manager is appointed by the client to manage the overall contract in return for a management fee.

The project can benefit from the early involvement of the contractor. The contracts for the works packages are placed directly between the client and the trade contractors, and the client can expect to have a high level of involvement during the design development and construction phases of the work.

**Management Contracting**

Another 'fast-track' strategy where a management contractor is appointed by the client to manage the overall contract in return for a management fee. The management contractor, if appointed early before the design is complete, can advise on buildability, programming, sequencing and the procurement of the various works packages.



The contracts for the works packages are between the management contractor and the individual trade contractors.

The management contractor is paid a fee for providing their services in connection with the management of the supply chain. The major feature of this form of procurement is the level of protection given to the management contractor in respect of claims by or against works contractors. If there are claims raised by the works contractors these are defended by the management contractor with the costs arising and the amount of any sums to be paid to the works contractor being funded by the Employer. Similarly, if there are claims against works contractors these are pursued by the management contractor with costs being funded by the Employer and the management contractor accounting to the Employer in respect of any sums recovered.

**PFI/PPP**

The Private Finance Initiative (PFI) is a form of PPP (Public private Partnership) developed by the Government in which the public and private sectors join to design, build or refurbish, finance and operate (DBFO) new or improved facilities and services to the general public.

PFI/PPP are discussed more fully in Info Sheet PR-005.

**Collaborative [or partnership] working**

Collaborative working involves two or more stakeholders sharing their efforts and resources to complete the project more effectively and efficiently.

There are many forms of collaboration and these are discussed more fully in Info Sheet PR-004.

**GENERAL**

TITLE	DESCRIPTION	LINKS
Design and Build Contract	Although there are many variants on design and build contracts, generally the contractor will be responsible for carrying out the bulk of the design. The link is to the JCT - Design and Build Contract (DB), the introduction to which indicates where this form of contract might be appropriate. There are other standard forms of contract which may equally be used.	<a href="http://www.jctltd.co.uk/stylesheet.asp?file=22072005150445">http://www.jctltd.co.uk/stylesheet.asp?file=22072005150445</a>
Construction Contracts - Law and Management (fourth Edition) by John Murdoch and Will Hughes.	A reference book with sections on Design & Build; Construction Management; Management Contracting. The link is to a preview of this book.	<a href="http://books.google.co.uk/books?id=3uXcRDNMlnkC&amp;pg=PA48&amp;lp=PA48&amp;dq=JCT+design+and+build+construction+contracts&amp;source=bl&amp;ots=b7RgZzt45p&amp;sig=yR-JoNDD3XYkkyFz3LZQuspMYEI&amp;hl=en&amp;ei=_lcnSv-DDdCRjAe-yLDVAw&amp;sa=X&amp;oi=book_result&amp;ct=result&amp;resnum=3#PPP1,M1">http://books.google.co.uk/books?id=3uXcRDNMlnkC&amp;pg=PA48&amp;lp=PA48&amp;dq=JCT+design+and+build+construction+contracts&amp;source=bl&amp;ots=b7RgZzt45p&amp;sig=yR-JoNDD3XYkkyFz3LZQuspMYEI&amp;hl=en&amp;ei=_lcnSv-DDdCRjAe-yLDVAw&amp;sa=X&amp;oi=book_result&amp;ct=result&amp;resnum=3#PPP1,M1</a>
Construction Management	An article dated 01/09/06 discussing the pros and cons of Construction Management	<a href="http://www.building.co.uk/story.asp?storycode=3072705">http://www.building.co.uk/story.asp?storycode=3072705</a>
Management Contracting	An article published in 2008 on the JCT Building Management contract and the role of the Management Contractor.	<a href="http://www.building.co.uk/story.asp?storycode=3109028">http://www.building.co.uk/story.asp?storycode=3109028</a>