



CONSTRUCTION
INDUSTRY
FEDERATION

Joint CIF and SCSl Webinar: PVC Mechanisms

11th February 2025



CIF Feedback and Recommendations

The information below outlines the feedback that members have reported to the CIF regarding the operation of the Price Variation Mechanisms within the Construction Works Management Framework and Public Works Contract.

A - Design by Employer and Traditional Tenders

A.1 - Preparation of Appendix 4 during the Tender Process:

A.1.1 Feedback

- Insufficient consideration is being given to the weightings to reflect the scope of works in - Appendix 4 to Clause 15 Price Variation, Part 1 proportions of labour, materials, fuel, non-adjustable overheads and plant.
- There is insufficient time during the tender process to raise concerns on the proportions and weightings in the FTS, particularly after the tender has been finalised.
- The weightings given to Non-Adjustable Overheads and Plant applied by contractors is too high, which reduces the Contractor's ability to recover legitimate price variation.

A.1.2 Recommendation

- As part of the tender process the contractor should be afforded a meeting to feed into the development of the FTS Appendix 4.
- There should be some facility whereby the contractor can submit their own version of the FTS Appendix 4 which could form part of the above meeting.
- Contracting Authorities should be obliged to give more time and reasonable consideration to contractors' queries on the weightings and proportions within App. 4 during the tender process.
- The weighting given to Non-Adjustable Overheads should be reflective of the project rather than a tool to shift inappropriate inflation risk onto the contractor.

A.2 Permitted Increase Threshold:

A.2.1 Feedback

- The purpose of price variation mechanism is to fairly balance inflation risk and leverage the contractor's expertise to manage and negotiate with the supply chain, however members report that Contracting Authorities are not considering project risk related to complexity, materials and duration as provided in OGP guidance. Members report that they are often automatically selecting a default of 10% permitted threshold.
- Setting high inflation percentages only increases potential of the Tender values to increase and are of no help to the Client's budget. Setting them lower means the Client pays for the increases but no more rather than paying a premium that may not arise.
- With ongoing volatility across the world impacting on supply chains and material costs; alongside side de-carbonisation of construction, it unreasonable to allocate a 10% threshold in a lowest price tender competition.

A.2.2 Recommendation

- The Permitted Increase Threshold should be set at a default of 3%.
- The maximum of 10% should be reduced to 5%.

B. Design by Contractor Tenders

B.1 Procedures for Preparing Appendix 4 and the weightings and proportions:

B.1.1 Feedback

- Members report poor consistency in the application of Procedures for formulating the FTS for the PVC Mechanisms on a Design and Build tender.

B.1.2 Recommendation

- On a Design & Build Tender; weightings and scope should be stated only if the PQS has measured the scope fully.
- Otherwise, it should be completed in conjunction with the successful Contractor Post Tender when quantities and scope have been established and verified by both parties.

C. Other Related Matters

C.1 CSO Index

C.1.1 Feedback

- We understand that the CSO does not track HVO fuel prices in Part 2: Fuel Categories Indices and Weightings

C.1.2 Recommendation

- It would be worthwhile for the CSO Index to track HVO Fuel indices in Part 2: Fuel Categories Indices and Weightings

C.2 Knowledge and Understanding

C.2.1 Feedback

- Members report low levels of understanding amongst PQSs acting on behalf of Contracting Authorities on how to prepare the tender and Appendix 4 in the FTS.

C.2.2 Recommendation

- The CIF and the SCSi have published an information note and are running a CPD webinar on the mechanisms. It is recommended these supports along with the OGP's support material be heavily promoted to the PQS industry to show how to prepare Appendix 4, the assessment of risk, setting the permitted threshold along with the important of engagement with the contractor for the PQS as part of their appointment process.

C.3 ARM 5

C.3.1 Feedback

- It would be good to understand how or if ARM 5 integrates price variation mechanisms between the contract and bill.

C.3.2 Recommendation

- Provide Guidance around how price variation mechanisms are dealt with in ARM 5.