



JCT Target Cost Contract 2024 (TCC 2024)

Introducing the JCT Target Cost Contract 2024

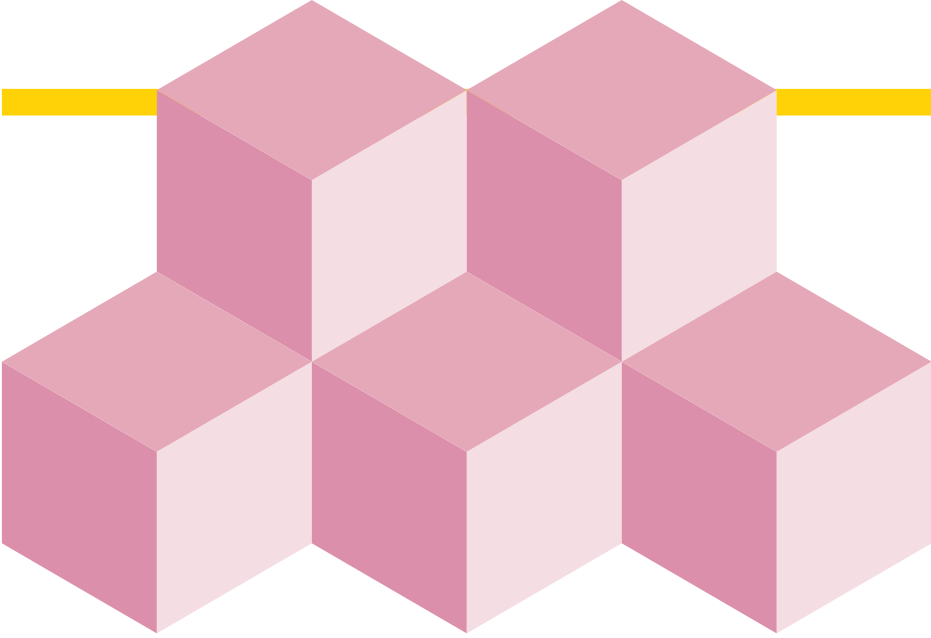
The Target Cost Contract is a new contract family introduced for the first time with the JCT 2024 Edition.

The family includes a Main Contract (TCC 2024), Sub-Contract (comprising the Sub-Contract Agreement (TCCSub/A 2024) and Conditions (TCCSub/C 2024)), and a Guide for both the Main Contract (TCC/G 2024) and Sub-Contract (TCC Sub/G 2024).

The ethos of this form is risk sharing. This conceptually is apposite for the current difficult marketplace. The parties can both benefit from their joint efforts in ensuring the project has a successful financial outcome.

The Target Cost Contract fits perfectly within the JCT contract suite. Its base is the JCT Design and Build Contract. Like the DB form, it is designed primarily for use on larger works where the Employer has defined its requirements and where the Contractor is not only to carry out the works, but also complete the design. It can be used on both private and public sector projects and allows for the works to be carried out in sections. Whilst projects using DB can vary in scale, it is more appropriate for TCC to be used on projects that require detailed provisions.

The Target Cost Contract family incorporates all the same features and changes that were introduced in the JCT 2024 Edition, including, among others, gender neutral language, provisions and guidance on the use of email to give notices, and a building safety update to accommodate the new Part 2A of the Building Regulations 2010 (introduced by the Building Regulations etc. (Amendment) (England) Regulations 2023). For further details, please refer to the JCT 2024 Edition Hub (<https://corporate.jctltd.co.uk/jct-2024-edition/>).

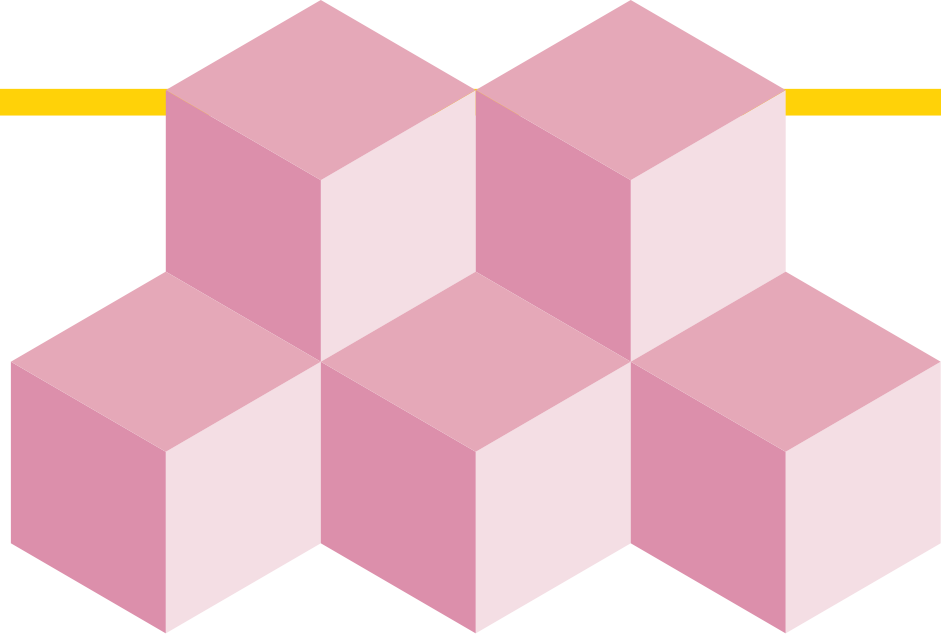


TCCSub 2024 is designed for use with TCC 2024 in various guises. It can be used as a Target Cost Sub-Contract. JCT appreciates that the target cost basis may not always be suitable for use at second tier. To provide flexibility and choice it can be used with or without Sub-contractor design. It has the facility to be a lump sum contract or a remeasurement. It has the flexibility of all the published JCT Sub-Contracts plus the Target Cost system. The generic Sub-Contracts within the JCT 2024 Edition (Short Form of Sub-Contract and Sub-subcontract) are also available to use with the TCC main contract.

The main difference between TCC and DB is in the allocation of risk. The Contractor is paid the 'Allowable Cost' (defined in Schedule 2) of the Works, and the 'Contract Fee'. The Target Cost is adjusted in the same way that the Contract Sum is adjusted in all other JCT contract families.

The difference between the Adjusted Target Cost and the product of Allowable Cost and the Contract Fee is the 'Share'. The share represents that TCC 2024 operates on what is popularly known as the 'pain/gain'. The share is distributed based on pre-agreed percentages. This provides an incentive for both parties to ensure a beneficial financial outcome of the project. This is designed to ensure maximum cooperation and collaboration throughout the project.





Target Cost

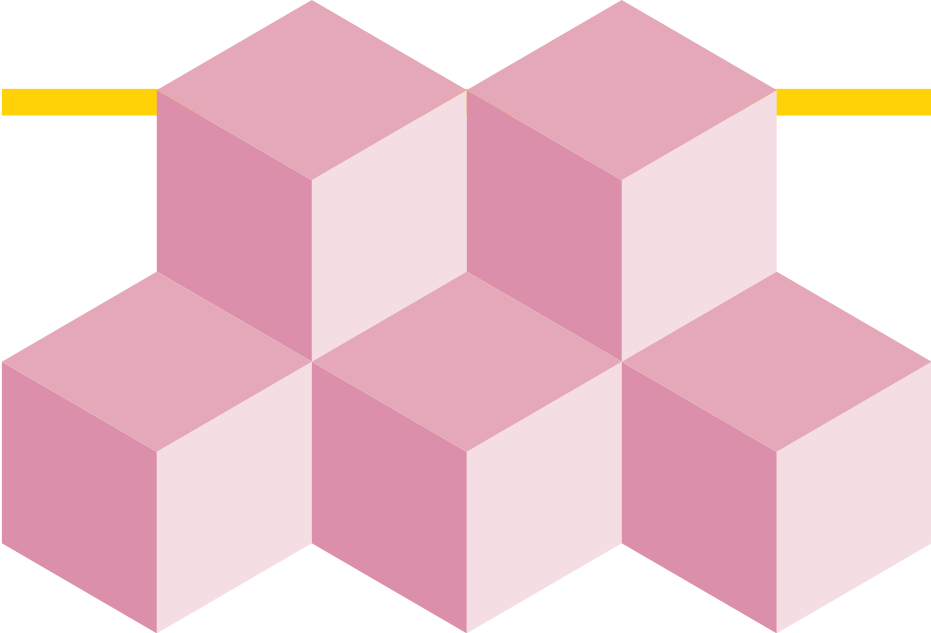
Instead of the Contract Sum, found in other JCT Contracts, TCC 2024 has a Target Cost, which must be stated in Article 2. The means by which the figure for the Target Cost is established is through the Employer's Requirements, Contractor's Proposals, and the Target Cost Analysis. Identifiers for these documents are to be inserted against the Contract Particular entries for Article 6. The Employer's Requirements should set out in detail the parameters within which the Contractor should base its proposals, including the format and level of detail required for the Target Cost Analysis. It is recommended that the Target Cost Analysis is as detailed as possible and the Employer's Requirements are prescriptive as to the format and level of detail required.

The Target Cost is adjusted in a similar way to the Contract Sum for other JCT Contracts.

The means by which the Target Cost can be adjusted is set out in Schedule 1 and comprises:

- Changes
- Acceleration Quotation
- Fluctuations (where applicable)
- Sundry Payments made or costs incurred by the Contractor
- Costs of Suspension
- Loss and Expense
- Other Adjustments, as defined in the Schedule





Allowable Cost

The Allowable Cost is calculated in accordance with Schedule 2 and the Contract Particulars. Schedule 2 comprises seven parts, namely:

- General provisions including those relating to lump sums in lieu of actual costs
- Sub-Contract work
- Contractor's management and design staff on site, etc.
- Contractor's direct workforce
- Materials and goods provided by the Contractor
- Plant, Services and Consumable Stores provided by the Contractor
- Sundry costs incurred by the Contractor

Usefully Schedule 2 covers pre-agreed rates or vouchered cost or a combination of both.

There are entries for clause 4.5 and Schedule 2 relating to the mode of payment of the Allowable Cost. Parties must also identify where details are documented for the calculation and verification of the Allowable Cost. The Contractor is to keep records for inspection, to which the Employer or the Employer's Agent should be granted access. If the Parties wish to include a category of cost for their project in Schedule 2 that is not already included, this can be done by specifying within the required entry of the Contract Particulars any agreed modification to the provisions of Schedule 2.

Contract Fee

The Contract Fee is a fixed sum, or a percentage of Allowable Cost, as specified in the Contract Particulars. Schedule 3 contains a formula for adjustment of the lump sum fee (if applicable), which is based on the difference between the Adjusted Target Cost and the Target Cost. For the purposes of Schedule 3, an agreed percentage threshold should be stated in the Contract Particulars and if none is stated the default is zero per cent.





Difference Share

The Difference Share is the amount determined as the straightforward difference between the actual cost of the Works (the sum of the Allowable Cost + Contract Fee) and the Adjusted Target Cost. Under clause 4.7. The difference, whether positive or negative, is shared between the Parties in agreed percentages, or as pre-agreed monetary sums, which are to be entered in the Contract Particulars.

The Parties can choose (by indicating in the Contract Particulars whether clause 4.7.1 applies) if the Difference calculation is to be carried out for each Interim Payment as well as for the final payment, or whether it should be calculated for the final payment only. For Interim Payments, the Difference Share is calculated via the sum of Allowable Cost and Contract Fee against the Adjusted Target Cost Value of Work Completed. These provisions also apply where Sub-contracts are let on a Target Cost basis.

Further resources

JCT has produced a series of Worked Examples, in both text format and with accompanying video commentaries, to assist users and provide more detailed information in relation to the way that the calculations for Adjusted Target Cost, Allowable Cost, Contract Fee and Difference Share are made in the Target Cost Contract and Target Cost Sub-Contract. More information is available on the JCT Target Cost Contract Hub.

This article provides a general introduction to the JCT Target Cost Contract 2024 and is not intended to be detailed or comprehensive. For more detailed and comprehensive information on both the JCT Target Cost Contract and JCT Target Cost Sub-Contract, users are encouraged to refer to their respective published Guides (TCC/G 2024 and TCCSub/G 2024).

