

Examples of Financial Mechanisms for operating the Difference Share ('Pain and Gain') provisions

- 1a Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment:
Where the cost at the Final Payment Stage exceeds the Adjusted Target Cost
- 1b Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment:
Where the cost at the Final Payment Stage is less than the Adjusted Target Cost
- 2 Examples of Contract Fee (Fixed Sum), Contract Particular (clause 4.6 and Schedule 3 - Adjustment of Contract Fee) and the effect of different percentage thresholds that may be used
- 3 Examples of Sharing the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee (clause 4.7.2 Final Payment)
- 4 Examples, where Contract Particulars state that clause 4.7.1 applies, of Calculating the Adjusted Target Cost Value of Work Completed and the Difference between that figure and the valuation for Interim Payment under clauses 4.16.2.1 and 4.16.2.2
- 5 Examples of Sharing the Difference from Adjusted Target Cost Value of Work Completed - where clause 4.7.1 applies in relation to Interim Payments
- 6a Sub-Contract 'A': Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment:
Where the cost at the Final Payment Stage exceeds the Adjusted Sub-Contract Target Cost
- 6b Sub-Contract 'B': Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment:
Where the cost at the Final Payment Stage is less than the Adjusted Sub-Contract Target Cost
- 7 Examples of Sub-Contract Fee (Fixed Sum), Sub-Contract Particulars (item 12 - Adjustment of Sub-Contract Fee) and the effect of different percentage thresholds that may be used
- 8 Examples of Sharing the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee (TCCSub, clause 4.1.9 Final Payment)
- 9 Examples of Sub-Contract Pain and Gain

Note: Some of the figures in the examples will show a £1 rounding-up difference.

1a Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment:

Where the cost at the Final Payment Stage exceeds the Adjusted Target Cost [1]

Target Cost	(as stated in Article 2)			10,200,000 [2]
Adjustments to the Target Cost	(Clause 4.2 and Part 1 of Schedule 1)			
		Deduct	Add	
Changes	(Schedule 1, Part 1, paragraph 1.1.1)			
Acceleration Quotation	(Schedule 1, Part 1, paragraph 1.1.2)			
Fluctuations	(Schedule 1, Part 1, paragraph 1.1.3)			
Sundry payments	(Schedule 1, Part 1, paragraph 1.1.4)			
Costs of suspension	(Schedule 1, Part 1, paragraph 1.1.5)			
Loss and expense	(Schedule 1, Part 1, paragraph 1.1.6)			
Insurance	(Schedule 1, Part 1, paragraph 1.1.7)			
Other adjustments	(Schedule 1, Part 1, paragraph 1.1.8)			
Sub-totals		45,000	355,000	
			(45,000)	
Net Adjustment			310,000	310,000
Adjusted Target Cost	(Clause 4.2 and Part 1 of Schedule 1)			10,510,000

Sub-Contract Target Costs:	
Sub-Contract 'A'	1,500,000
Sub-Contract 'B'	1,500,000

Allowable Cost	(Clause 4.5 and Schedule 2, as modified by the Contract Particular (clause 4.5 and Schedule 2))			
			Add	
Lump sums in lieu of actual costs	(Schedule 2, Part 1, paragraph 1.2.5)		1,150,880	
Sub-Contract work	(as defined in Part 2 of Schedule 2)		3,108,866	
Contractor's management and design staff on site etc.	(as defined in Part 3 of Schedule 2)		165,000	
Contractor's direct workforce	(as defined in Part 4 of Schedule 2)		2,490,880	
Materials and goods provided by Contractor	(as referred to in Part 5 of Schedule 2)		2,750,000	
Plant, Services and Consumable Stores provided by Contractor	(as referred to in Part 6 of Schedule 2)		756,000	
Sundry costs incurred by Contractor	(as defined in Part 7 of Schedule 2)		380,000	
Allowable Cost			10,801,626	10,801,626 [5]
Contract Fee (Fixed Sum)	(Contract Particular (clause 4.6), fixed sum - Schedule 3 applies (unless otherwise stated in Contract Particular (clause 4.6 and Schedule 3)))			360,637 [6]
Allowable Cost + Contract Fee			11,162,263	
Less Adjusted Target Cost			(10,510,000)	
Difference		Over Target by	652,263 [7]	Pain

Payments to Sub-Contractors:		
Sub-Contract 'A'	1,685,200	Pain
Sub-Contract 'B'	1,423,667	Gain
Total	3,108,866	

1a Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment:
Where the cost at the Final Payment Stage exceeds the Adjusted Target Cost [1]

Explanation

- [1]** The Adjusted Target Cost is required (clause 4.2 and Part 1 of Schedule 1) and the Difference required under clause 4.7.2 so that the Difference Share can be calculated. The sharing of the Difference using this calculation is shown in **Example 3a** 'Examples of Sharing the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee (clause 4.7.2 Final Payment): Where the Allowable Cost + Contract Fee exceeds the Adjusted Target Cost (Contract Particular (clause 4.7.2.2))'.
- [2]** The build up of the Target Cost includes the Sub-Contract Target Costs shown. Regarding the Sub-Contract Target Costs and their adjustment, see **Examples 6a and 6b**.
- [3]** The individual amounts of the adds and the deducts, in practice, would be stated. In determining the relevant amount(s) of deduct(s) in the Target Cost, reference is made to the Target Cost Analysis.
- [4]** The Sub-Contract work comprises the payments to Sub-Contractors under Sub-Contracts 'A' and 'B'. For the Sub-Contract pain and gain, see **Examples 6a, 6b, 7, 8 and 9**.
- [5]** Where under Contract Particular (clause 4.6) a % fee applies (in lieu of a fixed sum) it is applied to this figure i.e. the Allowable Cost.
- [6]** See **Example 2** 'Examples of Contract Fee (Fixed Sum), Contract Particular (clause 4.6 and Schedule 3 - Adjustment of Contract Fee) and the effect of different percentage thresholds that may be used'. **Example 2a** is used here.
- [7]** The Difference is shared in accordance with Contract Particular (clause 4.7.2.2). See **Example 3a** 'Examples of Sharing the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee (clause 4.7.2 Final Payment): Where the Allowable Cost + Contract Fee exceeds the Adjusted Target Cost'.

1b Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment:

Where the cost at the Final Payment Stage is less than the Adjusted Target Cost [1]

Target Cost	(as stated in Article 2)		10,200,000	[2]
Adjustments to the Target Cost	(Clause 4.2 and Part 1 of Schedule 1)			
		Deduct	Add	
Changes	(Schedule 1, Part 1, paragraph 1.1.1)			[3]
Acceleration Quotation	(Schedule 1, Part 1, paragraph 1.1.2)			
Fluctuations	(Schedule 1, Part 1, paragraph 1.1.3)			
Sundry payments	(Schedule 1, Part 1, paragraph 1.1.4)			
Costs of suspension	(Schedule 1, Part 1, paragraph 1.1.5)			
Loss and expense	(Schedule 1, Part 1, paragraph 1.1.6)			
Insurance	(Schedule 1, Part 1, paragraph 1.1.7)			
Other adjustments	(Schedule 1, Part 1, paragraph 1.1.8)			
Sub-totals		45,000	355,000	
			(45,000)	
Net Adjustment			310,000	
Adjusted Target Cost	(Clause 4.2 and Part 1 of Schedule 1)		10,510,000	

Sub-Contract Target Costs:	
Sub-Contract 'A'	1,500,000
Sub-Contract 'B'	1,500,000

Allowable Cost	(Clause 4.5 and Schedule 2, as modified by the Contract Particular (clause 4.5 and Schedule 2))			
			Add	
Lump sums in lieu of actual costs	(Schedule 2, Part 1, paragraph 1.2.5)		1,150,880	
Sub-Contract work	(as defined in Part 2 of Schedule 2)		3,108,866	[4]
Contractor's management and design staff on site etc.	(as defined in Part 3 of Schedule 2)		155,000	
Contractor's direct workforce	(as defined in Part 4 of Schedule 2)		2,290,880	
Materials and goods provided by Contractor	(as referred to in Part 5 of Schedule 2)		2,350,000	
Plant, Services and Consumable Stores provided by Contractor	(as referred to in Part 6 of Schedule 2)		733,000	
Sundry costs incurred by Contractor	(as defined in Part 7 of Schedule 2)		340,000	
Allowable Cost			10,128,626	10,128,626 [5]
Contract Fee (Fixed Sum)	(Contract Particular (clause 4.6), fixed sum - Schedule 3 applies (unless otherwise stated in Contract Particular (clause 4.6 and Schedule 3)))			360,637 [6]
Allowable Cost + Contract Fee			10,489,263	
Less Adjusted Target Cost			(10,510,000)	
Difference		Under Target by	(20,737)	[7]

Payments to Sub-Contractors:		
Sub-Contract 'A'	1,685,200	Pain
Sub-Contract 'B'	1,423,667	Gain
Total	3,108,866	

Gain

1b Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment:
Where the cost at the Final Payment Stage is less than the Adjusted Target Cost [1]

Explanation

- [1] The Adjusted Target Cost is required (clause 4.2 and Part 1 of Schedule 1) and the Difference required under clause 4.7.2 so that the Difference Share can be calculated. The sharing of the Difference using this calculation is shown in **Example 3b** 'Examples of Sharing the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee (clause 4.7.2 Final Payment): Where the Allowable Cost + Contract Fee is less than the Adjusted Target Cost (Contract Particular (clause 4.7.2.1))'.
- [2] The build up of the Target Cost includes the Sub-Contract Target Costs shown. Regarding the Sub-Contract Target Costs and their adjustment, see **Examples 6a and 6b**.
- [3] The individual amounts of the adds and the deducts, in practice, would be stated. In determining the relevant amount(s) of deduct(s) in the Target Cost, reference is made to the Target Cost Analysis.
- [4] The Sub-Contract work comprises the payments to Sub-Contractors under Sub-Contracts 'A' and 'B'. For the Sub-Contract pain and gain, see **Examples 6a, 6b, 7, 8 and 9**.
- [5] Where under Contract Particular (clause 4.6) a % fee applies (in lieu of a fixed sum) it is applied to this figure i.e. the Allowable Cost.
- [6] See **Example 2** 'Examples of Contract Fee (Fixed Sum), Contract Particular (clause 4.6 and Schedule 3 - Adjustment of Contract Fee) and the effect of different percentage thresholds that may be used'. **Example 2a** is used here.
- [7] The Difference is shared in accordance with Contract Particular (clause 4.7.2.1). See **Example 3b** 'Examples of Sharing the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee (clause 4.7.2 Final Payment): Where the Allowable Cost + Contract Fee is less than the Adjusted Target Cost'.

2 Examples of Contract Fee (Fixed Sum), Contract Particular (clause 4.6 and Schedule 3 - Adjustment of Contract Fee) and the effect of different percentage thresholds that may be used

Contract Fee	(Contract Particular (clause 4.6))	[1]
Contract Fee (Fixed Sum)	(Contract Particular (clause 4.6), where Schedule 3 applies there is a formula for adjustment of the Fixed Sum)	[2]
Percentage threshold	(Contract Particular (clause 4.6 and Schedule 3) - Adjustment of Contract Fee: 0% unless otherwise stated)	[3]
Adjusted Contract Fee	(Schedule 3)	<div>Adjusted Contract Fee = Contract Fee x (100±(Difference%-Percentage threshold%))/100</div>

2a Where Adjusted Target Cost exceeds Target Cost, with 0% percentage threshold (default, Contract Particular (clause 4.6 and Schedule 3))

Contract Fee	350,000	
Percentage threshold	0 %	
Adjusted Target Cost	10,510,000	[4]
Less Target Cost	<u>(10,200,000)</u>	[4]
Difference (between Adjusted Target Cost and Target Cost)	310,000	
Difference (as % of Target Cost)	3.039 %	
Adjustment of Contract Fee is:	$350,000 \times (100 + (3.039 - 0)) / 100$	[5][3]
Adjusted Contract Fee	<u><u>360,637</u></u>	

2b Where Adjusted Target Cost exceeds Target Cost, with 2% percentage threshold (Contract Particular (clause 4.6 and Schedule 3))

Contract Fee	350,000	
Percentage threshold	2 %	
Adjusted Target Cost	10,510,000	[4]
Less Target Cost	<u>(10,200,000)</u>	[4]
Difference (between Adjusted Target Cost and Target Cost)	310,000	
Difference (as % of Target Cost)	3.039 %	
Adjustment of Contract Fee is:	$350,000 \times (100 + (3.039 - 2)) / 100$	[6][5][3]
Adjusted Contract Fee	<u><u>353,637</u></u>	

2c Where Adjusted Target Cost exceeds Target Cost, with 5% percentage threshold (Contract Particular (clause 4.6 and Schedule 3))

Contract Fee	350,000	
Percentage threshold	5 %	
Adjusted Target Cost	10,510,000	[4]
Less Target Cost	<u>(10,200,000)</u>	[4]
Difference (between Adjusted Target Cost and Target Cost)	310,000	
Difference (as % of Target Cost)	3.039 %	[7]
Adjustment of Contract Fee is:	n/a	[7]
Adjusted Contract Fee	<u><u>350,000</u></u>	[7]

2d Where Adjusted Target Cost is less than Target Cost, with 0% percentage threshold (default, Contract Particular (clause 4.6 and Schedule 3))

Contract Fee	350,000	
Percentage threshold	0 %	
Adjusted Target Cost, say	9,975,000	[8]
Less Target Cost	<u>(10,200,000)</u>	[4]
Difference (between Adjusted Target Cost and Target Cost)	(225,000)	
Difference (as % of Target Cost)	(2.206) %	
Adjustment of Contract Fee is:	$350,000 \times (100 - (2.206 - 0)) / 100$	[9][3]
Adjusted Contract Fee	<u>342,279</u>	

2e Where Adjusted Target Cost is less than Target Cost, with 2% percentage threshold (Contract Particular (clause 4.6 and Schedule 3))

Contract Fee	350,000	
Percentage threshold	2 %	
Adjusted Target Cost, say	9,975,000	[8]
Less Target Cost	<u>(10,200,000)</u>	[4]
Difference (between Adjusted Target Cost and Target Cost)	(225,000)	
Difference (as % of Target Cost)	(2.206) %	
Adjustment of Contract Fee is:	$350,000 \times (100 - (2.206 - 2)) / 100$	[9][6][3]
Adjusted Contract Fee	<u>349,279</u>	

2f Where Adjusted Target Cost is less than Target Cost, with 5% percentage threshold (Contract Particular (clause 4.6 and Schedule 3))

Contract Fee	350,000	
Percentage threshold	5 %	
Adjusted Target Cost, say	9,975,000	[8]
Less Target Cost	<u>(10,200,000)</u>	[4]
Difference (between Adjusted Target Cost and Target Cost)	(225,000)	
Difference (as % of Target Cost)	(2.206) %	[7]
Adjustment of Contract Fee is:	n/a	[7]
Adjusted Contract Fee	<u>350,000</u>	[7]

Explanation

- [1] The Contract Fee can be a fixed sum or a percentage of Allowable Cost as identified in Contract Particular (clause 4.6). Examples use fixed sum.
- [2] The fixed sum is subject to adjustment in accordance with Schedule 3 unless otherwise stated in Contract Particular (clause 4.6 and Schedule 3).
- [3] The percentage threshold applied is that inserted in Contract Particular (clause 4.6 and Schedule 3 - Adjustment of Contract Fee). See Schedule 3.
- [4] Figure taken from **Examples 1a and 1b** 'Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment'.
- [5] Note the plus sign as Adjusted Target Cost exceeds Target Cost. See Schedule 3.
- [6] Difference% reduced by the percentage threshold.
- [7] As the percentage threshold exceeds the Difference %, the Contract Fee is unaltered. See proviso to that effect in Schedule 3.
- [8] For the purpose of illustration a different Adjusted Target Cost is used to that in **Examples 2a to 2c**.
- [9] Note the minus sign as Adjusted Target Cost is less than Target Cost. See Schedule 3.

3 Examples of Sharing the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee (clause 4.7.2 Final Payment)

3a Where the Allowable Cost + Contract Fee exceeds the Adjusted Target Cost

Contract Particular (clause 4.7.2.2) [1]

Percentage Difference band	Monetary Difference band	Employer's percentage	Contractor's percentage
____ % to ____ %	£0 to £100,000	70	30
____ % to ____ %	£100,000 to £250,000	50	50
____ % to ____ %	£250,000 to £500,000	30	70
in excess of ____ %	in excess of £500,000	10	90

Difference 652,263 [2]

Difference Share

		Employer's percentage	Amount borne by Employer	Contractor's percentage	Amount borne by Contractor
Difference at % from table as set out in Contract Particular (clause 4.7.2.2)	100,000	at 70%	70,000	at 30%	30,000
	150,000	at 50%	75,000	at 50%	75,000
	250,000	at 30%	75,000	at 70%	175,000
	152,263	at 10%	15,226	at 90%	137,037
		[3]	235,226		417,037
Amount included in final account			235,226		
Amount borne by Contractor: deducted in final account			417,037		
Difference			652,263		[2]

Explanation

- [1] The Contract Particular is completed by either choosing Percentage Difference band or a Monetary Difference band and inserting the agreed figures.
- [2] The Difference as shown in **Example 1a** 'Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment: Where the cost at the Final Payment Stage exceeds the Adjusted Target Cost'.
- [3] The Difference Share is calculated by taking the amount that falls within each band and applying the relevant percentage inserted in the Contract Particular.

3b Where the Allowable Cost + Contract Fee is less than the Adjusted Target Cost

Contract Particular (clause 4.7.2.1) [1]

Percentage Difference band	Monetary Difference band	Employer's percentage	Contractor's percentage
___% to ___%	£0 to £100,000	70	30
___% to ___%	£100,000 to £250,000	50	50
___% to ___%	£250,000 to £500,000	30	70
in excess of ___%	in excess of £500,000	10	90

Difference 20,737 [2]

Difference Share

		Employer's percentage	Amount retained by Employer	Contractor's percentage	Amount due to Contractor
Difference at % from table as set out in Contract Particular (clause 4.7.2.1)	20,737	at 70% [3]	14,516 <u>14,516</u>	at 30%	6,221 <u>6,221</u>

Amount included in final account	6,221
Amount in effect 'retained' by Employer	14,516
Difference	<u><u>20,737</u></u> [2]

Explanation

- [1] The Contract Particular is completed by either choosing Percentage Difference band or a Monetary Difference band and inserting the agreed figures.
- [2] The Difference as shown in **Example 1b** 'Example of Adjusting Target Cost and Calculating the Difference between Adjusted Target Cost and the Allowable Cost + Contract Fee, as required by clause 4.21.2, for Final Statement and Final Payment: Where the cost at the Final Payment Stage is less than the Adjusted Target Cost'.
- [3] The Difference Share is calculated by taking the amount that falls within each band and applying the relevant percentage inserted in the Contract Particular.

4 Examples, where Contract Particulars state that clause 4.7.1 applies, of Calculating the Adjusted Target Cost Value of Work Completed and the Difference between that figure and the valuation for Interim Payment under clauses 4.16.2.1 and 4.16.2.2

Target Cost	(as stated in Article 2)	10,200,000	[1]
Contract Fee	(Contract Particular (clause 4.6), fixed sum - Schedule 3 applies (unless otherwise stated in Contract Particular (clause 4.6 and Schedule 3)))	350,000	
Adjusted Target Cost	(Clause 4.2 and Part 1 of Schedule 1)	10,510,000	[2]
Adjusted Contract Fee	(Clause 4.6 and Schedule 3)	360,637	[3]

4a Where the cost at Interim Payment exceeds the Adjusted Target Cost

Gross Valuation

Allowable Cost	(Clause 4.16.2.1 and Schedule 2)	4,800,000	[4]
Contract Fee	(Clause 4.16.2.2.1: under that clause a proportion of the amount calculated under clause 4.16.2.1 equivalent to the ratio between the Contract Fee (as then adjusted under Schedule 3) and the Adjusted Target Cost i.e. Adjusted Contract Fee (360,637) x Allowable Cost (4,800,000) / Adjusted Target Cost (10,510,000))	164,705	[5]
Total		<u>4,964,705</u>	
Less Adjusted Target Cost Value of Work Completed	(Clause 4.16.1 - Adjusted Target Cost Value of Work Completed (as referred to in clause 4.7.1) for each Interim Payment shall be the proportion of the Adjusted Target Cost equivalent to the value of work executed by the Contractor, as determined by using the Target Cost Analysis)	(4,829,913)	[6]
Difference		Over Target by <u><u>134,792</u></u>	[7] Pain

Explanation

- [1] The build-up of the Target Cost is the basis for the calculation of the value of work executed, as referred to in [6].
- [2] Assumes an Adjusted Target Cost is the same as that in Final Payment - often in practice, this will be different.
- [3] The figure inserted here is the Adjusted Contract Fee at the time of the Gross Valuation for an Interim Payment. Assumes an adjustment to the Contract Fee is the same as that in an example of the Final Payment - this figure may vary for each Interim Payment, as the Contract Fee will be adjusted in accordance with Schedule 3 at each Interim Payment.
- [4] Retention is not shown in the examples.
- [5] For the Adjusted Contract Fee, see **Example 2** 'Examples of Contract Fee (Fixed Sum), Contract Particular (clause 4.6 and Schedule 3 - Adjustment of Contract Fee) and the effect of different percentage thresholds that may be used'. **Example 2a** is used here as the basis for the interim calculation.
- [6] The figure inserted here is as valued. The valuation of work executed, including the amount of work executed that relates to an adjustment made to the Target Cost, is determined by reference to the rates and prices contained in the Target Cost Analysis. The valuation is a different figure to the Allowable Cost (plus Contract Fee). The Difference Share is derived from these two figures.
- [7] The Difference is shared in accordance with Contract Particular (clause 4.7.1.2). See **Example 5a** 'Examples of Sharing the Difference from Adjusted Target Cost Value of Work Completed - where clause 4.7.1 applies in relation to Interim Payments: Where the Allowable Cost + portion of Adjusted Contract Fee exceeds the Adjusted Target Cost Value of Work Completed'.

Target Cost	(as stated in Article 2)		10,200,000 [1]
Contract Fee	(Contract Particular (clause 4.6), fixed sum - Schedule 3 applies (unless otherwise stated in Contract Particular (clause 4.6 and Schedule 3)))	350,000	
Adjusted Target Cost	(Clause 4.2 and Part 1 of Schedule 1)		10,510,000 [2]
Adjusted Contract Fee	(Clause 4.6 and Schedule 3)	360,637	[3]

4b Where the cost at Interim Payment is less than the Adjusted Target Cost

Gross Valuation

Allowable Cost	(Clause 4.16.2.1 and Schedule 2)	4,800,000	[4]
Contract Fee	(Clause 4.16.2.2.1: under that clause a proportion of the amount calculated under clause 4.16.2.1 equivalent to the ratio between the Contract Fee (as then adjusted under Schedule 3) and the Adjusted Target Cost i.e. Adjusted Contract Fee (360,637) x Allowable Cost (4,800,000) / Adjusted Target Cost (10,510,000))	164,705	[5]
Total		<u>4,964,705</u>	
Less Adjusted Target Cost Value of Work Completed	Clause 4.16.1 - Adjusted Target Cost Value of Work Completed (as referred to in clause 4.7.1) for each Interim Payment shall be the proportion of the Adjusted Target Cost equivalent to the value of work executed by the Contractor, as determined by using the Target Cost Analysis	(5,012,693)	[6]
Difference		Under Target by <u><u>(47,988)</u></u>	[7] Gain

Explanation

- [1] The build-up of the Target Cost is the basis for the calculation of the value of work executed, as referred to in [6].
- [2] Assumes an Adjusted Target Cost is the same as that in Final Payment - often in practice, this will be different.
- [3] The figure inserted here is the Adjusted Contract Fee at the time of the Gross Valuation for an Interim Payment. Assumes an adjustment to the Contract Fee is the same as that in an example of the Final Payment - this figure may vary for each Interim Payment, as the Contract Fee will be adjusted in accordance with Schedule 3 at each Interim Payment.
- [4] Retention is not shown in the examples.
- [5] For the Adjusted Contract Fee, see **Example 2** 'Examples of Contract Fee (Fixed Sum), Contract Particular (clause 4.6 and Schedule 3 - Adjustment of Contract Fee) and the effect of different percentage thresholds that may be used'. **Example 2a** is used here as the basis for the interim calculation.
- [6] The figure inserted here is as valued. The valuation of work executed, including the amount of work executed that relates to an adjustment made to the Target Cost, is determined by reference to the rates and prices contained in the Target Cost Analysis. The valuation is a different figure to the Allowable Cost (plus Contract Fee). The Difference Share is derived from these two figures.
- [7] The Difference is shared in accordance with Contract Particular (clause 4.7.1.1). See **Example 5b** 'Examples of Sharing the Difference from Adjusted Target Cost Value of Work Completed - where clause 4.7.1 applies in relation to Interim Payments: Where the Allowable Cost + portion of Adjusted Contract Fee is less than the Adjusted Target Cost Value of Work Completed'.

5 Examples of Sharing the Difference from Adjusted Target Cost Value of Work Completed - where clause 4.7.1 applies in relation to Interim Payments

5a Where the Allowable Cost + portion of Adjusted Contract Fee exceeds the Adjusted Target Cost Value of Work Completed

Contract Particular (clause 4.7.1.2) [1]

Percentage Difference band	Monetary Difference band	Employer's percentage	Contractor's percentage
____ % to ____ %	£0 to £100,000	70	30
____ % to ____ %	£100,000 to £250,000	50	50
____ % to ____ %	£250,000 to £500,000	30	70
in excess of ____ %	in excess of £500,000	10	90

Difference 134,792 [2]

Difference Share

		Employer's percentage	Amount borne by Employer	Contractor's percentage	Amount borne by Contractor
Difference at % from table as set out in Contract Particular (clause 4.7.1.2)	100,000	at 70%	70,000	at 30%	30,000
	34,792	at 50%	17,396	at 50%	17,396
		[3]	<u>87,396</u>		<u>47,396</u>

Amount borne by Employer in the valuation 87,396

Amount borne by Contractor: deducted from the valuation under clause 4.16.2.3 47,396

Difference 134,792 [2]

Gross Valuation 4,964,705 [4]

Less Adjustment under clause 4.16.2.3 (47,396)

Gross Valuation Adjusted 4,917,309 [5]

Explanation

- [1] The Contract Particular is completed by either choosing Percentage Difference band or a Monetary Difference band and inserting the agreed figures.
- [2] The Difference as shown in **Example 4a** 'Examples, where Contract Particulars state that clause 4.7.1 applies, of Calculating the Adjusted Target Cost Value of Work Completed and the Difference between that figure and the valuation for Interim Payment under clauses 4.16.2.1 and 4.16.2.2: Where the cost at Interim Payment exceeds the Adjusted Target Cost'.
- [3] The Difference Share is calculated by taking the amount that falls within each band and applying the relevant percentage inserted in the Contract Particular.
- [4] The Total for the Gross Valuation as shown in **Example 4a** 'Examples, where Contract Particulars state that clause 4.7.1 applies, of Calculating the Adjusted Target Cost Value of Work Completed and the Difference between that figure and the valuation for Interim Payment under clauses 4.16.2.1 and 4.16.2.2: Where the cost at Interim Payment exceeds the Adjusted Target Cost'.
- [5] The Gross Valuation is adjusted by the amount of Difference Share to be borne by the Contractor under clause 4.16.2.3.

5b Where the Allowable Cost + portion of Adjusted Contract Fee is less than the Adjusted Target Cost Value of Work Completed

Contract Particular (clause 4.7.1.1) [1]

Percentage Difference band	Monetary Difference band	Employer's percentage	Contractor's percentage
___% to ___%	£0 to £100,000	70	30
___% to ___%	£100,000 to £250,000	50	50
___% to ___%	£250,000 to £500,000	30	70
in excess of ___%	in excess of £500,000	10	90

Difference 47,988 [2]

Difference Share

		Employer's percentage	Amount retained by Employer	Contractor's percentage	Amount due to Contractor
Difference at % from table as set out in Contract Particular (clause 4.7.1.1)	47,988	at 70%	33,592	at 30%	14,396
		[3]	<u>33,592</u>		<u>14,396</u>

Amount due to Contractor in the valuation under clause 4.16.2.3

14,396

Amount in effect 'retained by' Employer

33,592

Difference

47,988 [2]

Gross Valuation

4,964,705 [4]

Adjustment under clause 4.16.2.3

14,396

Gross Valuation Adjusted

4,979,101 [5]

Adjusted Target Cost Value of Work Completed

5,012,693 [6]

Less Amount in effect 'retained by' Employer

(33,592)

4,979,101 [7]

Explanation

- [1] The Contract Particular is completed by either choosing Percentage Difference band or a Monetary Difference band and inserting the agreed figures.
- [2] The Difference as shown in **Example 4b** 'Examples, where Contract Particulars state that clause 4.7.1 applies, of Calculating the Adjusted Target Cost Value of Work Completed and the Difference between that figure and the valuation for Interim Payment under clauses 4.16.2.1 and 4.16.2.2: Where the cost at Interim Payment is less than the Adjusted Target Cost'.
- [3] The Difference Share is calculated by taking the amount that falls within each band and applying the relevant percentage inserted in the Contract Particular.
- [4] The Total for the Gross Valuation as shown in **Example 4b** 'Examples, where Contract Particulars state that clause 4.7.1 applies, of Calculating the Adjusted Target Cost Value of Work Completed and the Difference between that figure and the valuation for Interim Payment under clauses 4.16.2.1 and 4.16.2.2: Where the cost at Interim Payment is less than the the Adjusted Target Cost'.
- [5] The Gross Valuation is adjusted by the amount of Difference Share payable to the Contractor under clause 4.16.2.3.
- [6] The Adjusted Target Cost Value of Work Completed as shown in **Example 4b** 'Examples, where Contract Particulars state that clause 4.7.1 applies, of Calculating the Adjusted Target Cost Value of Work Completed and the Difference between that figure and the valuation for Interim Payment under clauses 4.16.2.1 and 4.16.2.2: Where the cost at Interim Payment is less than the Adjusted Target Cost'.
- [7] The amount equals the Gross Valuation Adjusted. This is shown purely for checking purposes.

6a Sub-Contract 'A': Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment: Where the cost at the Final Payment Stage exceeds the Adjusted Sub-Contract Target Cost [1]

Sub-Contract Target Cost	(TCCSub, as stated in Article 4)			1,500,000	
Adjustments to the Sub-Contract Target Cost	(TCCSub, clause 4.1.2 and Part 1 of Schedule 1)				
			Deduct	Add	
Variations	(TCCSub, Schedule 1, Part 1, paragraph 1.1.1)				[2]
Acceleration Quotation	(TCCSub, Schedule 1, Part 1, paragraph 1.1.2)				
Fluctuations	(TCCSub, Schedule 1, Part 1, paragraph 1.1.3)				
Costs of suspension	(TCCSub, Schedule 1, Part 1, paragraph 1.1.4)				
Loss and expense	(TCCSub, Schedule 1, Part 1, paragraph 1.1.5)				
Restoration, replacement, etc.	(TCCSub, Schedule 1, Part 1, paragraph 1.1.6)				
Sundry payments	(TCCSub, Schedule 1, Part 1, paragraph 1.1.7)				
Other adjustments	(TCCSub, Schedule 1, Part 1, paragraph 1.1.8)				
Sub-totals			5,000	40,000	
				(5,000)	
Net Adjustment				35,000	35,000
Adjusted Sub-Contract Target Cost	(TCCSub, clause 4.1.2 and Part 1 of Schedule 1)				1,535,000
Allowable Sub-Contract Cost	(TCCSub, clause 4.1.4 and Schedule 2, as modified by the Sub-Contract Particulars (item 11))				
				Add	
Lump sums in lieu of actual costs	(TCCSub, Schedule 2, Part 1, paragraph 1.2.5)			150,000	
Sub-subcontract work	(TCCSub, as defined in Part 2 of Schedule 2)			250,000	
Sub-Contractor's management and design staff on site etc.	(TCCSub, as defined in Part 3 of Schedule 2)			50,000	
Sub-Contractor's direct workforce	(TCCSub, as defined in Part 4 of Schedule 2)			500,000	
Materials and goods provided by Sub-Contractor	(TCCSub, as referred to in Part 5 of Schedule 2)			500,000	
Plant, Services and Consumable Stores provided by Sub-Contractor	(TCCSub, as referred to in Part 6 of Schedule 2)			150,000	
Sundry costs incurred by Sub-Contractor	(TCCSub, as defined in Part 7 of Schedule 2)			100,000	
Allowable Sub-Contract Cost				1,700,000	1,700,000 [3]
Sub-Contract Fee (Fixed Sum)	(TCCSub, Sub-Contract Particulars (item 12), fixed sum - Schedule 3 applies (unless otherwise stated in Sub-Contract Particular (item 12.2)))				102,333 [4]
Allowable Sub-Contract Cost + Sub-Contract Fee					1,802,333
Less Adjusted Sub-Contract Target Cost					(1,535,000)
Difference			Over Target by		267,333 [5] Pain

Explanation

- [1] The Adjusted Sub-Contract Target Cost is required (TCCSub, clause 4.1.2 and Part 1 of Schedule 1) and the Difference required under clause 4.1.9 (TCCSub) so that the Difference Share can be calculated. The sharing of the Difference using this calculation is shown in **Example 8a** 'Examples of Sharing the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee (TCCSub, clause 4.1.9 Final Payment): Where the Allowable Sub-Contract Cost + Sub-Contract Fee exceeds the Adjusted Sub-Contract Target Cost'.
- [2] The individual amounts of the adds and the deducts, in practice, would be stated. In determining the relevant amount(s) of deduct(s) in the Sub-Contract Target Cost, reference is made to the Sub-Contract Target Cost Analysis.
- [3] Where under Sub-Contract Particular (item 12.1) a % fee applies (in lieu of a fixed sum) it is applied to this figure i.e. the Allowable Sub-Contract Cost.
- [4] See **Example 7** 'Examples of Sub-Contract Fee (Fixed Sum), Sub-Contract Particulars (item 12 - Adjustment of Sub-Contract Fee) and the effect of different percentage thresholds that may be used'. **Example 7a** is used here.
- [5] The Difference is shared in accordance with Sub-Contract Particular (item 13.3). See **Example 8a** 'Examples of Sharing the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee (TCCSub, clause 4.1.9 Final Payment): Where the Allowable Sub-Contract Cost + Sub-Contract Fee exceeds the Adjusted Sub-Contract Target Cost'.

6b Sub-Contract 'B': Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment: Where the cost at the Final Payment Stage is less than the Adjusted Sub-Contract Target Cost [1]

Sub-Contract Target Cost	(TCCSub, as stated in Article 4)			1,500,000	
Adjustments to the Sub-Contract Target Cost	(TCCSub, clause 4.1.2 and Part 1 of Schedule 1)				
		Deduct	Add		
Variations	(TCCSub, Schedule 1, Part 1, paragraph 1.1.1)				[2]
Acceleration Quotation	(TCCSub, Schedule 1, Part 1, paragraph 1.1.2)				
Fluctuations	(TCCSub, Schedule 1, Part 1, paragraph 1.1.3)				
Costs of suspension	(TCCSub, Schedule 1, Part 1, paragraph 1.1.4)				
Loss and expense	(TCCSub, Schedule 1, Part 1, paragraph 1.1.5)				
Restoration, replacement, etc.	(TCCSub, Schedule 1, Part 1, paragraph 1.1.6)				
Sundry payments	(TCCSub, Schedule 1, Part 1, paragraph 1.1.7)				
Other adjustments	(TCCSub, Schedule 1, Part 1, paragraph 1.1.8)				
Sub-totals		5,000	40,000		
			(5,000)		
Net Adjustment			35,000	35,000	
Adjusted Sub-Contract Target Cost	(TCCSub, clause 4.1.2 and Part 1 of Schedule 1)			1,535,000	
Allowable Sub-Contract Cost	(TCCSub, clause 4.1.4 and Schedule 2, as modified by the Sub-Contract Particulars (item 11))				
			Add		
Lump sums in lieu of actual costs	(TCCSub, Schedule 2, Part 1, paragraph 1.2.5)		150,000		
Sub-subcontract work	(TCCSub, as defined in Part 2 of Schedule 2)		150,000		
Sub-Contractor's management and design staff on site etc.	(TCCSub, as defined in Part 3 of Schedule 2)		50,000		
Sub-Contractor's direct workforce	(TCCSub, as defined in Part 4 of Schedule 2)		250,000		
Materials and goods provided by Sub-Contractor	(TCCSub, as referred to in Part 5 of Schedule 2)		400,000		
Plant, Services and Consumable Stores provided by Sub-Contractor	(TCCSub, as referred to in Part 6 of Schedule 2)		150,000		
Sundry costs incurred by Sub-Contractor	(TCCSub, as defined in Part 7 of Schedule 2)		100,000		
Allowable Sub-Contract Cost			1,250,000	1,250,000	[3]
Sub-Contract Fee (Fixed Sum)	(TCCSub, Sub-Contract Particulars (item 12), fixed sum - Schedule 3 applies (unless otherwise stated in Sub-Contract Particular (item 12.2)))			102,333	[4]
Allowable Sub-Contract Cost + Sub-Contract Fee				1,352,333	
Less Adjusted Sub-Contract Target Cost				(1,535,000)	
Difference		Under Target by		(182,667)	[5] Gain

Explanation

- [1] The Adjusted Sub-Contract Target Cost is required (TCCSub, clause 4.1.2 and Part 1 of Schedule 1) and the Difference required under clause 4.1.9 (TCCSub) so that the Difference Share can be calculated. The sharing of the Difference using this calculation is shown in **Example 8b** 'Examples of Sharing the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee (TCCSub, clause 4.1.9 Final Payment): Where the Allowable Sub-Contract Cost + Sub-Contract Fee is less than the Adjusted Sub-Contract Target Cost'.
- [2] The individual amounts of the adds and the deducts, in practice, would be stated. In determining the relevant amount(s) of deduct(s) in the Sub-Contract Target Cost, reference is made to the Sub-Contract Target Cost Analysis.
- [3] Where under Sub-Contract Particular (item 12.1) a % fee applies (in lieu of a fixed sum) it is applied to this figure i.e. the Allowable Sub-Contract Cost.
- [4] See **Example 7** 'Examples of Sub-Contract Fee (Fixed Sum), Sub-Contract Particulars (item 12 - Adjustment of Sub-Contract Fee) and the effect of different percentage thresholds that may be used'. **Example 7a** is used here.
- [5] The Difference is shared in accordance with Sub-Contract Particular (item 13.2). See **Example 8b** 'Examples of Sharing the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee (TCCSub, clause 4.1.9 Final Payment): Where the Allowable Sub-Contract Cost + Sub-Contract Fee is less than the Adjusted Sub-Contract Target Cost'.

7 Examples of Sub-Contract Fee (Fixed Sum), Sub-Contract Particulars (item 12 - Adjustment of Sub-Contract Fee) and the effect of different percentage thresholds that may be used

Sub-Contract Fee	(TCCSub, Sub-Contract Particular (item 12.1))	[1]
Sub-Contract Fee (Fixed Sum)	(TCCSub, Sub-Contract Particular (item 12.2), where Schedule 3 applies there is a formula for adjustment of the Fixed Sum)	[2]
Percentage threshold	(TCCSub, Sub-Contract Particular (item 12.3) - Adjustment of Sub-Contract Fee: 0% unless otherwise stated)	[3]
Adjusted Sub-Contract Fee	(TCCSub, Schedule 3)	Adjusted Sub-Contract Fee = Sub-Contract Fee x (100±(Difference%-Percentage threshold%))/100

7a Where Adjusted Sub-Contract Target Cost exceeds Sub-Contract Target Cost, with 0% percentage threshold (default, Sub-Contract Particular (item 12.3))

Sub-Contract Fee	100,000	
Percentage threshold	0 %	
Adjusted Sub-Contract Target Cost	1,535,000	[4]
Less Sub-Contract Target Cost	(1,500,000)	[4]
Difference (between Adjusted Sub-Contract Target Cost and Sub-Contract Target Cost)	35,000	
Difference (as % of Sub-Contract Target Cost)	2.333 %	
Adjustment of Sub-Contract Fee is:	100,000 x (100+(2.333-0))/100	[5][3]
Adjusted Sub-Contract Fee	102,333	

7b Where Adjusted Sub-Contract Target Cost exceeds Sub-Contract Target Cost, with 2% percentage threshold (Sub-Contract Particular (item 12.3))

Sub-Contract Fee	100,000	
Percentage threshold	2 %	
Adjusted Sub-Contract Target Cost	1,535,000	[4]
Less Sub-Contract Target Cost	(1,500,000)	[4]
Difference (between Adjusted Sub-Contract Target Cost and Sub-Contract Target Cost)	35,000	
Difference (as % of Sub-Contract Target Cost)	2.333 %	
Adjustment of Sub-Contract Fee is:	100,000 x (100+(2.333-2))/100	[6][5][3]
Adjusted Sub-Contract Fee	100,333	

7c Where Adjusted Sub-Contract Target Cost exceeds Sub-Contract Target Cost, with 5% percentage threshold (Sub-Contract Particular (item 12.3))

Sub-Contract Fee	100,000	
Percentage threshold	5 %	
Adjusted Sub-Contract Target Cost	1,535,000	[4]
Less Sub-Contract Target Cost	(1,500,000)	[4]
Difference (between Adjusted Sub-Contract Target Cost and Sub-Contract Target Cost)	35,000	
Difference (as % of Sub-Contract Target Cost)	2.333 %	[7]
Adjustment of Sub-Contract Fee is:	n/a	[7]
Adjusted Sub-Contract Fee	100,000	[7]

7d Where Adjusted Sub-Contract Target Cost is less than Sub-Contract Target Cost, with 0% percentage threshold (default, Sub-Contract Particular (item 12.3))

Sub-Contract Fee	100,000	
Percentage threshold	0 %	
Adjusted Sub-Contract Target Cost, say	1,460,000	[8]
Less Sub-Contract Target Cost	(1,500,000)	[4]
Difference (between Adjusted Sub-Contract Target Cost and Sub-Contract Target Cost)	(40,000)	
Difference (as % of Sub-Contract Target Cost)	(2.667) %	
Adjustment of Sub-Contract Fee is:	$100,000 \times (100 - (2.667 - 0)) / 100$	[9][3]
Adjusted Sub-Contract Fee	<u>97,333</u>	

7e Where Adjusted Sub-Contract Target Cost is less than Sub-Contract Target Cost, with 2% percentage threshold (Sub-Contract Particular (item 12.3))

Sub-Contract Fee	100,000	
Percentage threshold	2 %	
Adjusted Sub-Contract Target Cost, say	1,460,000	[8]
Less Sub-Contract Target Cost	(1,500,000)	[4]
Difference (between Adjusted Sub-Contract Target Cost and Sub-Contract Target Cost)	(40,000)	
Difference (as % of Sub-Contract Target Cost)	(2.667) %	
Adjustment of Sub-Contract Fee is:	$100,000 \times (100 - (2.667 - 2)) / 100$	[9][6][3]
Adjusted Sub-Contract Fee	<u>99,333</u>	

7f Where Adjusted Sub-Contract Target Cost is less than Sub-Contract Target Cost, with 5% percentage threshold (Sub-Contract Particular (item 12.3))

Sub-Contract Fee	100,000	
Percentage threshold	5 %	
Adjusted Sub-Contract Target Cost, say	1,460,000	[8]
Less Sub-Contract Target Cost	(1,500,000)	[4]
Difference (between Adjusted Sub-Contract Target Cost and Sub-Contract Target Cost)	(40,000)	
Difference (as % of Sub-Contract Target Cost)	(2.667) %	[7]
Adjustment of Sub-Contract Fee is:	n/a	[7]
Adjusted Sub-Contract Fee	<u>100,000</u>	[7]

Explanation

- [1] The Sub-Contract Fee can be a fixed sum or a percentage of Allowable Sub-Contract Cost as identified in Sub-Contract Particular (item 12.1). Examples use fixed sum.
- [2] The fixed sum is subject to adjustment in accordance with Schedule 3 unless otherwise stated in Sub-Contract Particular (item 12.2).
- [3] The percentage threshold applied is that inserted in Sub-Contract Particular (item 12.3). See Schedule 3 (TCCSub).
- [4] Figure taken from **Examples 6a and 6b** 'Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment'.
- [5] Note the plus sign as Adjusted Sub-Contract Target Cost exceeds Sub-Contract Target Cost. See Schedule 3 (TCCSub).
- [6] Difference% reduced by the percentage threshold.
- [7] As the percentage threshold exceeds the Difference %, the Sub-Contract Fee is unaltered. See proviso to that effect in Schedule 3 (TCCSub).
- [8] For the purpose of illustration a different Adjusted Sub-Contract Target Cost is used to that in **Examples 7a to 7c**.
- [9] Note the minus sign as Adjusted Sub-Contract Target Cost is less than Sub-Contract Target Cost. See Schedule 3 (TCCSub).

8 Examples of Sharing the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee (TCCSub, clause 4.1.9 Final Payment)

8a Where the Allowable Sub-Contract Cost + Sub-Contract Fee exceeds the Adjusted Sub-Contract Target Cost

Sub-Contract Particular (item 13.3) (TCCSub, clause 4.1.9.2) [1]

Percentage Difference band	Monetary Difference band	Contractor's percentage	Sub-Contractor's percentage
___% to ___%	£0 to £100,000	70	30
___% to ___%	£100,000 to £250,000	50	50
___% to ___%	£250,000 to £500,000	30	70
in excess of ___%	in excess of £500,000	10	90

Difference 267,333 [2]

Difference Share

		Contractor's percentage	Amount borne by Contractor	Sub-Contractor's percentage	Amount borne by Sub-Contractor
Difference at % from table as set out in Sub-Contract Particular (item 13.3)	100,000	at 70%	70,000	at 30%	30,000
	150,000	at 50%	75,000	at 50%	75,000
	17,333	at 30%	5,200	at 70%	12,133
		[3]	150,200		117,133

Amount included in the calculation of the final payment	150,200
Amount borne by Sub-Contractor: deducted in the calculation of the final payment	117,133
Difference	267,333 [2]

Explanation

- [1] The Sub-Contract Particular is completed by either choosing Percentage Difference band or a Monetary Difference band and inserting the agreed figures.
- [2] The Difference as shown in **Example 6a** 'Sub-Contract 'A': Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment: Where the cost at the Final Payment Stage exceeds the Adjusted Sub-Contract Target Cost'.
- [3] The Difference Share is calculated by taking the amount that falls within each band and applying the relevant percentage inserted in the Sub-Contract Particular.

8b Where the Allowable Sub-Contract Cost + Sub-Contract Fee is less than the Adjusted Sub-Contract Target Cost

Sub-Contract Particular (item 13.2) (TCCSub, clause 4.1.9.1) [1]

Percentage Difference band	Monetary Difference band	Contractor's percentage	Sub-Contractor's percentage
___% to ___%	£0 to £100,000	70	30
___% to ___%	£100,000 to £250,000	50	50
___% to ___%	£250,000 to £500,000	30	70
in excess of ___%	in excess of £500,000	10	90

Difference 182,667 [2]

Difference Share

		Contractor's percentage	Amount retained by Contractor	Sub-Contractor's percentage	Amount due to Sub-Contractor
Difference at % from table as set out in Sub-Contract Particular (item 13.2)	100,000	at 70%	70,000	at 30%	30,000
	82,667	at 50%	41,334	at 50%	41,334
		[3]	111,334		71,334
Amount included in the calculation of the final payment			71,334		
Amount in effect 'retained' by Contractor			111,334		
Difference			182,667	[2]	

Explanation

- [1] The Sub-Contract Particular is completed by either choosing Percentage Difference band or a Monetary Difference band and inserting the agreed figures.
- [2] The Difference as shown in **Example 6b** 'Sub-Contract 'B': Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment: Where the cost at the Final Payment Stage is less than the Adjusted Sub-Contract Target Cost'.
- [3] The Difference Share is calculated by taking the amount that falls within each band and applying the relevant percentage inserted in the Sub-Contract Particular.

9 Examples of Sub-Contract Pain and Gain

9a Contractor's Final Payment to Sub-Contractor: Sub-Contract 'A' [1]

Allowable Sub-Contract Cost	(TCCSub, clause 4.22.2.2)	1,700,000	1,700,000	
Sub-Contract Fee	(TCCSub, clause 4.22.2.3)	102,333	102,333	
Less Adjusted Sub-Contract Target Cost	(TCCSub, clause 4.1.2 and Schedule 1)	(1,535,000)		[2]
Difference		267,333		Pain
Less Difference Share: Amount borne by Sub-Contractor	(TCCSub, clause 4.1.9.2 and Sub-Contract Particular (item 13.3))	(117,133)	(117,133)	[3]
Amount payable by Contractor			1,685,200	[4]

Explanation

- [1] The figures are as shown in **Example 6a** 'Sub-Contract 'A': Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment: Where the cost at the Final Payment Stage exceeds the Adjusted Sub-Contract Target Cost'.
- [2] Sub-Contract Target Cost is adjusted under Schedule 1 of TCCSub.
- [3] The sharing of the Difference is shown in **Example 8a** 'Examples of Sharing the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee (TCCSub, clause 4.1.9 Final Payment): Where the Allowable Sub-Contract Cost + Sub-Contract Fee exceeds the Adjusted Sub-Contract Target Cost'.
- [4] The amount payable by the Contractor is the amount referred to in TCC Schedule 2, Part 2, paragraph 2.1. That amount would become part of the Allowable Cost (see Definition) as 'costs incurred by the Contractor in carrying out its obligations under this Contract of the types specified in Schedule 2 and calculated in accordance with that Schedule.'

9b Contractor's Final Payment to Sub-Contractor: Sub-Contract 'B' [1]

Allowable Sub-Contract Cost	(TCCSub, clause 4.22.2.2)	1,250,000	1,250,000	
Sub-Contract Fee	(TCCSub, clause 4.22.2.3)	102,333	102,333	
Less Adjusted Sub-Contract Target Cost	(TCCSub, clause 4.1.2 and Schedule 1)	(1,535,000)		[2]
Difference		(182,667)		Gain
Difference Share: Amount due to Sub-Contractor	(TCCSub, clause 4.1.9.1 and Sub-Contract Particular (item 13.2))	71,334	71,334	[3]
Amount payable by Contractor			1,423,667	[4]

Explanation

- [1] The figures are as shown in **Example 6b** 'Sub-Contract 'B': Example of Adjusting Sub-Contract Target Cost and Calculating the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee, as required by clause 4.22.2 (TCCSub), for Statement and Final Payment: Where the cost at the Final Payment Stage is less than the Adjusted Sub-Contract Target Cost'.
- [2] Sub-Contract Target Cost is adjusted under Schedule 1 of TCCSub.
- [3] The sharing of the Difference is shown in **Example 8b** 'Examples of Sharing the Difference between Adjusted Sub-Contract Target Cost and the Allowable Sub-Contract Cost + Sub-Contract Fee (TCCSub, clause 4.1.9 Final Payment): Where the Allowable Sub-Contract Cost + Sub-Contract Fee is less than the Adjusted Sub-Contract Target Cost'.
- [4] The amount payable by the Contractor is the amount referred to in TCC Schedule 2, Part 2, paragraph 2.1. That amount would become part of the Allowable Cost (see Definition) as 'costs incurred by the Contractor in carrying out its obligations under this Contract of the types specified in Schedule 2 and calculated in accordance with that Schedule.'