# Contents

Preface

1 Practice Procedures
  1.1 Organisation and structure
    1.1.2 Marketing and regulating
  1.2 Methods of appointment
    1.2.1 Client engagement
    1.2.2 Contracts of services
    1.2.3 Contracts of service
  1.3 Business development
    1.3.1 New business and cold calling

2 RICS New Rules of Measurement (NRM)
  2.1 What is NRM?
    2.1.1 Status of NRM
  2.2 RICS NRM2: Detailed measurement for building works
    2.2.1 Usage
    2.2.2 Structure
    2.2.3 Information required for BQ preparation
    2.2.4 Tabulated works sections and rules
    2.2.5 Measurement rules for building components/items
  2.3 Taking off
    2.3.1 Measurement example – Substructure
    2.3.2 Measurement example – Superstructure walls
  2.4 Bill of quantities (BQ)
    2.4.1 Composition
    2.4.2 Breakdown structure
    2.4.3 Cost centres
    2.4.4 Bills of addendum and reduction
    2.4.5 Software and BQ production

3 Pre-contract Cost Management
  3.1 Cost planning
  3.2 Plans of work
  3.3 Development
  3.4 Design influence on cost
    3.4.1 Time, cost and quality relationships
    3.4.2 Redundant performance and circulation areas
3.4.3 Building height 90
3.4.4 Modulation 91
3.4.5 Building shape 92
3.4.6 Buildability 94
3.4.7 Environmentally friendly buildings 95
3.4.8 Life-cycle costs 96

3.5 Setting a budget 98
3.5.1 Client preparation 98
3.5.2 Estimating techniques for the feasibility study 98
3.5.3 Estimate techniques for setting the budget 109

3.6 Early design development 115
3.6.1 Creating cost targets 115
3.6.2 Element measuring 120
3.6.3 Element rate costing 124

3.7 Ongoing design development 130

3.8 Self-checking of design development 141

3.9 Action on variances 142
3.9.1 Value management 143

3.10 Final design proposals and production information 144
3.11 Cost planning accuracy 145

4 Procurement Systems 147
4.1 Procurement definition 147
4.2 Meeting the client's objectives 147
4.3 Influencing reports and the need for change 149
4.3.1 The Banwell Report 149
4.3.2 Constructing the Team (Latham) 149
4.3.3 Rethinking Construction (Egan) 150
4.3.4 Achieving Excellence in Construction (OGC) 151
4.3.5 Modernising Construction (NAO) 151
4.3.6 Strategies for Sustainable Construction (Government) 152
4.3.7 Never Waste a Good Crisis (Wolstenholme) 152

4.4 Procurement routes 154
4.4.1 The client's brief and influence on procurement routes 154
4.4.2 Traditional pathways 155
4.4.3 Design and build 162
4.4.4 Construction management schemes 164
4.4.5 Private Finance Initiative (PFI) 168
4.4.6 Public Private Partnership (PPP) 174
4.4.7 Prime contracting 177
4.4.8 Partnering and strategic alliances 180
4.4.9 Project alliances 181
4.4.10 Framework arrangements 183
4.4.11 Public procurement and European legislation 184
4.5 Appropriate procurement selection
  4.5.1 Risk analysis 187
  4.5.2 Risk management 189
  4.5.3 Health and safety management 189
  4.5.4 Consultant selection 195
  4.5.5 Contractor selection 196
  4.5.6 Pre-qualification Questionnaire (PQQ) 198
  4.5.7 Invitation to Tender (ITT) and the tender period 199
  4.5.8 Tender assessment 201
  4.5.9 Due diligence 205

5 Construction Contracts 211
  5.1 Freedom of contract and contract law 211
    5.1.1 Formation of a contract 212
  5.2 Construction contracts 213
    5.2.1 Contract characteristics 214
    5.2.2 Selection of suitable forms 216
    5.2.3 Remedies for breach of contract 220
  5.3 Industrial standard forms of contract 226
    5.3.1 The Joint Contracts Tribunal (JCT) 226
    5.3.2 New Engineering Contract (NEC) 232
    5.3.3 GC/Works Contracts 235
    5.3.4 Association of Consultant Architects (ACA) 236
    5.3.5 Institution of Civil Engineering (ICE) 237
    5.3.6 Institution of Engineering and Technology (IET) 238
    5.3.7 Institution of Chemical Engineers (IChemE) 238
    5.3.8 Fédération Internationale des Ingénieurs-Conseils (FIDIC) 240
    5.3.9 Be Collaborative Contract 241
    5.3.10 Orgalime 242
  5.4 Form recommendation 242
  5.5 Pre-contract signing audit report 245
  5.6 Commitment to commence 247
  5.7 Project insurances 249
    5.7.1 Contract works insurance 249
    5.7.2 Injury to persons 251
    5.7.3 Damage to surrounding property 251
    5.7.4 Joint Fire Code 252
    5.7.5 Public and products liability insurance 252
    5.7.6 Off-site materials insurance 253
    5.7.7 Professional indemnity insurance 253
  5.8 Project securities 254
    5.8.1 Cash retention 254
    5.8.2 Bank guarantees 254
    5.8.3 Bonds 255
  5.9 Contract administration 256
6  Post-contract Cost Management  258
6.1  Professional appointment  258
   6.1.1  Project initiation  258
   6.1.2  Project identification and document control  259
6.2  Conflict management  263
   6.2.1  Conflict avoidance  263
   6.2.2  Dealing with conflict  264
6.3  Cost management  267
   6.3.1  Cash flow  267
   6.3.2  Breakdown of the contract sum  269
   6.3.3  Variations to the contract sum  272
   6.3.4  Contractor's claims  281
   6.3.5  Third party variations and claims  283
   6.3.6  Spurious, contentious or vague variations and claims  284
   6.3.7  Fluctuations  287
   6.3.8  Valuation of works in progress  289
   6.3.9  Final account  298
   6.3.10  Project Bank Accounts (PBA)  302
6.4  Insolvency  304
   6.4.1  In administration  305
   6.4.2  Winding up  306
   6.4.3  Contractor insolvency  306
   6.4.4  Client insolvency  308
6.5  Client progress reports  309
   6.5.1  Works in progress reports  309
   6.5.2  Defects liability period reports  310
6.6  Performance feedback  311

Further Reading  313
Index  314