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“It takes 20 years to build a reputation and 5 minutes to ruin it. If you think about that, you'll do things differently.”

Warren Buffett

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Introduction

From RICS

Alan Muse and Steven Thompson
Global director and associate director,
Built Environment, RICS

This Construction Journal is the first of our new design, and – we hope – the last you’ll receive before we can stop asking ‘What if?’ and start asking ‘What?’ and ‘How?’

With regard to the former, we hope the new look does what it sets out to do: enhance readability and bring out technical content to better reflect the changing world of quantity surveying and project management. Any feedback on this would be appreciated.

For the latter, we hope that confirmation of Brexit, in whatever form, allows us as professionals to start making firm plans to better navigate this changing world. When all the speculation is finally over, we can take a more informed view of some of the issues affecting our industry.

Of course, knowing and living in this context is a different story. The legalities may all be set out, but will we truly know what the experience of accessing public-sector contracts is like before a number of us have tried it? Will we fully understand all the potential extra steps we need to take to import or export materials before we have gone through them numerous times? Can we really understand the effect Brexit has on the diversity of our workforce before the dust settles?

It’s therefore now more important than ever that we communicate and share experiences within the industry. RICS remains committed to providing you with guidance and support through the transitional period and beyond. No matter how things that are out of our hands progress, let’s make sure we control what we can. While the uncertainties are vast, there is one positive change that we can effect and therefore rely on: an industry that is more united than ever before. The more closely we are united, the stronger and better equipped we’ll be to face the negatives, positives and all in between.

Our profession, in fact, knows no boundaries. Construction programmes and projects continue unabated within and across markets. Herein lies the true opportunity. If we apply our knowledge and skills consistently, globally, using common terminologies and standards that offer clear benefits, we raise the status of our profession on the world stage and across all markets. Hard or soft, deal or no deal, the future is in our hands.

Briefing

RICS offers funding for professional research

The RICS Research Trust is encouraging applications from around the world for up to £20,000 of research funding per project in five subject areas, and is also accepting open-call applications in land, real estate, construction and infrastructure. To have your proposal considered, please submit it by 5pm on 8 March 2019. rics.org/researchtrust

Events

RICS Fire Safety Conference
The conference will run again in Manchester this spring due to significant demand. Register your interest now. rics.org/fireconference

RICS Commercial Management in Infrastructure Conference
2 April, Cavendish Conference Centre, London
Infrastructure leads the way in the Fourth Industrial Revolution, as this event will discuss. rics.org/cominfconf

RICS Quantity Surveying & Construction Conference
23 May, Etc. Venues, St Paul’s, London
The event offers practical sessions and debate. rics.org/qscalefficiency

Standards

Recently published
Countering bribery and corruption, money laundering and terrorist financing professional statement
Surveying safely guidance note rics.org/standards

Forthcoming
New Rules of Measurement update
Change procedures guidance note
Cost prediction professional statement
International Construction Measurement Standards, 2nd edition
Subcontracting guidance note
Technical due diligence guidance note rics.org/standards

All RICS and international standards are subject to a consultation, open to RICS members. rics.org/iconsult
What it means for the sector to be sustainable

Although the environmental component of sustainable development is critical in construction, it cannot be achieved without integrating it into considerations of good-quality placemaking and social value

Julie Hirigoyen

Sustainability is shorthand for sustainable development, a term originating in the 1987 Brundtland Report, Our Common Future, where it was defined as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (bit.ly/UNcommonfuture). This original definition encompasses economic, social and environmental needs. In recent years, however, the term sustainability has frequently been used to refer to environmental responsibility alone. This is an unhelpful simplification.

In 2016, 170 countries agreed to 17 UN Sustainable Development Goals (SDGs; see bit.ly/UNSustDGs) as a global call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. These interconnected goals are all in the spirit of the original Brundtland definition of sustainable development, covering issues as broad as climate change, economic inequality, innovation, sustainable consumption, and peace and justice, among others.

The way we at the London Sustainable Development Commission (LSDC) interpret sustainability is also in the spirit of Brundtland (london.gov.uk/LondonSDC). The LSDC advises the mayor how to make the capital into a sustainable world city.

For us, sustainable development is about creating a better life for everyone, both now and in the future. This includes:

- having access to quality education, jobs, services, housing and leisure
- living in an environment that is healthy, resilient and stable, now and in the future
- living and working in a society that is democratic, just, engaged, diverse, responsible, supportive and vibrant.

This is something that LSDC measures for London in its Quality of Life Indicators reports, which will soon align with the SDGs (bit.ly/LSDCquality).

The construction sector is central to achieving sustainable development, first

Julie Hirigoyen
and foremost because of the significant impacts it has on people and planet, but also for the positive contribution it can make through the quality of places that it creates. In terms of environmental impacts, more than 40 per cent of the UK’s carbon footprint can be attributed to the built environment, with ten per cent arising from the heating of buildings alone. Construction is also the sector responsible for the greatest consumption of natural resources, and the greatest source of waste.

Following the Paris Agreement of 2015 (bit.ly/UNFCCCPA) and the recent Intergovernmental Panel on Climate Change special report (bit.ly/IPCCsr15) we know that we must limit global warming to 1.5°C, and that by 2050 all businesses and nations will need to operate at net zero carbon emissions. Recently, the UK government has asked for advice from the independent Committee on Climate Change on setting a date for meeting this target.

The World Green Building Council (GBC) has meanwhile confirmed that to achieve this, all new buildings will need to be operating at net zero carbon emissions by 2030, and all existing buildings some time before 2050. The UK GBC has launched a programme called Advancing Net Zero that will see construction and property businesses work together to lead the transition to a net zero-carbon built environment in the UK. The multi-year programme will develop consistent approaches for the measurement, mitigation and reporting of in-use energy performance and whole-life carbon emissions.

In London alone, population is projected to increase by 70,000 every year, reaching 10.8m in 2041 (bit.ly/Londonplan). This means that just to meet demand at least 66,000 new homes need to be built every single year, as well as providing spaces for tens of thousands of new jobs. If London is to achieve the mayor’s objective of becoming a zero-carbon city by 2050, a commitment made in the draft London Plan and the London environment strategy, new development needs to be net zero carbon from both construction and operation.

Similar moves are being made by other metropolitan mayors and by businesses that have London and global footprints, as evidenced by the World GBC’s Net Zero Carbon Buildings Commitment (bit.ly/WorldGBCNeto).

As well as moves to reduce the carbon intensity of construction, there has been a big rise in interest in social value in the built environment. There have been a plethora of initiatives, studies and policy developments aiming to promote quality placemaking that substantially improves the quality of life for existing and future occupiers and neighbouring uses. Partly in response to public-sector requirements and partly because construction businesses are keen to communicate the value they bring to communities, more and more companies are investing in measuring social value outcomes. When done well, efforts to measure social value are highlighting which activities are particularly beneficial for local communities, encouraging more targeted investment with a greater impact.

All of this will require quantity surveyors, project managers and other built environment professionals to improve their skills and gain new ones, quickly, and deepen their knowledge of low-carbon and wider sustainability measures. Significant work has already been done by the Green Construction Board to establish the knowledge and skills required for the transition to a sustainable construction industry, and to define standard protocols for data collection and knowledge transfer by built environment professionals (bit.ly/GCBValuation). Importantly, RICS itself stressed the importance of sustainability factors wherever relevant in its revisions to the Valuation Global Standards – the Red Book – in 2017 (rics.org/rbvaluation).

So, it seems clear that the long-term financial performance of built assets will be motivated as much by environmental factors and social value as by basics such as location and connectivity — precisely what one would expect and hope for from a broad interpretation of sustainable development.

Julie Hirigoyen is a commissioner on the LSDC and chief executive of the UK Green Building Council @JHirigoyen

Further information: @LondonSDC

RICS.org/journals 7
Sustained interest

With government rhetoric on the environment at odds with its emphasis on the economy, Construction Journal spoke to two key construction industry figures to get their views on some of the most significant questions.

Ann Bentley and Dr Shamir Ghumra

Q: Heathrow Airport has embedded sustainability in supplier contracts for construction of the third runway, including key performance indicators and evaluation criteria. What is the best way for construction companies to target and track the sustainability of the supply chain?

AB: The client’s desired outcomes in terms of overall sustainability need to be defined at the earliest stage of the project, well before the brief has been fully developed, which means that project targets can be set rather than targets for individual companies. This is equally true for main contractors setting targets for their supply chain. Setting project targets this way encourages collaboration and joined-up thinking, rather than the normal, siloed approach to projects and suppliers. Long-term project outcome targets should be set for, say, carbon emissions once the asset is in use, and the whole supply chain should then be tied into a pain–gain mechanism based on its actual performance.

SG: We need to define sustainability objectives for the project, determine the scope of influence that can be managed directly and what legacy a project such as this wants to leave. Traditional environmental impacts are going to be more straightforward to measure and manage, but there are supply chain risks such as modern slavery that need to be considered, along with other community impacts such as social value. The challenge with implementing such measures in complex projects is that the supply chains are often fragmented and multi-tiered. Effective supply chain collaboration is key for any aspect of project success.

Q: On the same day parliament endorsed the third runway at Heathrow, the government rejected plans to build the Swansea Bay tidal lagoon on the grounds of cost. What do you believe this says about the government’s commitment to sustainability?

AB: The two things are not directly comparable. My view is that Heathrow’s third runway will help to ensure economic sustainability, and it should be possible to build it without increasing environmental damage. I think that a better comparison for Swansea would be the Hinkley Point C nuclear plant, where the government has guaranteed the price it will pay in the future for electricity. It is disappointing that a similar pricing and funding model could not have been worked out for Swansea, where, once completed, the electricity would have been provided at a very low price indeed. This decision is full of the same short-term capital cost-driven thinking that dogs many construction projects of all sizes in the UK.

SG: We often get mixed messages from government about the wider green agenda; yet increasingly I see these aspects being integrated into more projects to improve the sustainability of UK plc. While on one hand we see less political appetite for regulation, this light-touch approach clearly needs to be reviewed as suboptimal practices take place on projects all over the country. Organisations themselves are addressing issues such as climate change, despite the political situation. We are now seeing science-based targets coming through for many companies and a stronger commitment to take steps now to avoid catastrophic climate change.

Q: In the July 2013 report Construction 2025, the UK construction industry and government alike committed to a 50 per cent reduction in greenhouse
gas emissions in the built environment by 2025. Are you optimistic about this target being met?

**AB:** This was a tough target that was set to provoke a significant change in the industry. I believe that there is the technical capability in place to meet the target, but I am not sure that there is the political will to design and construct for long-term benefits as opposed to short-term cost savings. My feeling is that in the current political landscape, with Brexit imminent, this target has moved down the priority list and I think we will struggle to meet it.

**SG:** I am optimistic, yes; many organisations are setting more carbon reduction targets, and the recent push towards net zero carbon does provide additional grounds for hope. The challenge is the pace of change needed. As more of the environmental impacts come closer to the internal workings of business and society, we have a real window of opportunity for action. The issue of carbon, particularly in the built environment, seems to have gone through a cycle. Initially we had a focus on the fabric and the embodied impact, which then shifted to attention on the in-use phase, and has moved on tremendously; as such, the focus starts to return to embodied impacts.

**Q:** Bearing in mind Construction 2025 and the rejection of the Swansea Bay plans, what’s your advice to organisations that wish to act sustainably yet believe they are receiving conflicting messages?

**AB:** Stick to your principles. Sustainability is a long-term goal that will become more and more pressing over time. I don’t buy the argument that sustainable means more expensive, so just because the government is not pushing it as much as it was doesn’t mean that individual companies should give up. There is very strong evidence that sustainability is of enormous importance to young people, and companies that are developing sustainable, value-driven practices will be the ones that thrive in the long term.

**SG:** Waiting for government policy to turn into action is not a viable option for business leaders. It is about sustainability and the organisational resilience of your business. It is easy to reflect on why the next link in the value chain does not set a mandate relating to particular impacts, such as lower-carbon products. Organisations that adapt and evolve to the new norm may not necessarily have an immediate significant edge over their competition, but they will still be in the market and competing. Corporate reporting will only become more detailed and information more publicly available, so the court of public opinion will play an increasing part in a business’s reputation and brand value.

**Q:** If we don’t succeed in making our industry more sustainable – socially, environmentally and economically – what dangers does it face?

**AB:** The sector risks being taken over by foreign-owned companies that can succeed. We will also find it almost impossible to recruit into what will be regarded as a dinosaur industry.

**SG:** The construction industry is often cited as being inefficient and slow to adapt to change compared to other sectors. The low margins that main contractors make are also well documented. The perception of fragmented supply chains and long payment timescales are further issues we face on a regular basis. Early considerations about asset design, construction and use can help make projects more efficient, supply chains more collaborative and the entire process more economically viable. If we don’t make the necessary changes ourselves we will find new entrants to the market bringing innovations from other sectors, which could be disruptive to the traditional way of doing things. As Mark Farmer stated, we must modernise or die.

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Further information: To provide feedback on these questions or take part in one of our future interactive articles, please email the editor at sfairbairn@rics.org
If UK construction is to sustain itself it must adopt more effective means of tendering and procurement

Mark Farmer’s 2016 review of the UK construction labour model was given the incredibly apt title *Modernise or die*. This root-and-branch review of the industry challenges all involved in construction to ensure a sustainable future.

The construction industry is at a major juncture, where old processes and practices are becoming more and more unsuitable for the modern world. Ridiculously low profit margins, a race towards cheaper and cheaper tenders, adversarial contracts and a disparate industry are together finally taking a toll. We must act now. The industry will not disappear, but to make it sustainable we must change it both internally and externally.

One key area is procurement: basic problems always arise with this, yet have never been addressed. Procurement processes and a desperate lack of understanding as to what value means still cause the sustainability of our industry to be questioned. The race to the bottom is inexorable and dangerous. This runs through the whole industry, from clients to consultants to contractors to manufacturers. The industry is following a blueprint that seems to have pervaded all sectors: equating a fair price with the cheapest, which is certainly not always the case. We must develop a standard, intelligent procurement system. Clients must look at what they actually want, and the industry must be truthful about what it can actually provide.

One of the main issues in procurement is the overcomplicated tender process and repetitive documentation we have to complete. For decades we have used various tender processes: single-stage, two-stage, design and build, traditional or competitive. Each has its place but each also has its issues. The money and time expended by the industry on tender processes is not proportional to the work undertaken.

For instance, we are often required to complete large tender questionnaires when having a Constructionline membership with all of our details is meant to be enough to confirm we are achieving acceptable standards. Why? Questionnaires often differ just enough so that standard replies cannot be used, and ask for in-depth responses that cover the quality assurance and construction processes to be used. Invariably, these responses are never reviewed, and the price is the only element that is considered. It’s not hard to see why the usual tender processes are vilified.
The industry is following a blueprint that seems to have pervaded all sectors: equating a fair price with the cheapest

Other issues include the following:
- **value engineering:** the build costs are more than envisaged and savings have to be made
- **payment terms:** while the Construction Supply Chain Payment Charter looks to ensure that payments are made within 30 days, consultants, manufacturers and contractors often have to deal with 90-day periods from invoice to payment
- **unattainable frameworks:** frameworks for construction services provision can make unreasonable and disproportionate demands on local, small or medium-sized enterprises, with which only large businesses can comply
- **retention:** the monies held by clients at the end of a contract to cover the defects period are often retained for excessive periods.

The government’s *Construction 2025* industrial strategy (bit.ly/UKCons2025) and the associated Sector Deal (bit.ly/IndusStratSecDeal) have highlighted the ambition to embed a more strategic approach to procurement. The Construction Leadership Council’s report *Procuring for Value* (bit.ly/CLCProc4val), produced in direct response to this, has begun a process that should, during 2019, see all parties in the industry sign up to a definition of value that accounts for more than just basic capital cost. This means considering quality, whole-life cost, supply chain, skills, employment, environmental sustainability and health and safety.

As an industry we must speak as one, understanding that we are all necessary and perform worthwhile duties that need a fair payment. A good starting point would be for us all to agree that reasonable profit is not a dirty concept — indeed, it is the backbone of most industries. An understanding that time and effort expended at the beginning of a project can help their subsequent completion and enhance whole-life value and user satisfaction is essential.

The Construction Industry Council North East is developing a construction strategy for the North East Local Enterprise Partnership. We believe that, in order to create a sustainable industry, we have to look at waste in the industry, whether that be time, resource, or physical construction waste, and procurement is a major factor in this. We believe in intelligent procurement, taking into account the wider regional picture. Our recommendations include the following.
- Local authorities should ensure that all local firms can tender for projects. This supports jobs and advancement in the local area.
- If you as a company know you have a body of work to be undertaken over a number of years, liaise with the industry so that it can service this. Surety of work is the basis for firms to develop staff and take on apprentices, ensuring further industry growth.

**The Northern Irish government is in the process of agreeing to trial this method for some government projects.**

- Clients should ask to see that the price given incorporates profit and allowances for research and development. Ask for separate quality sections that cover ability and experience to undertake the work and use these to choose which submissions to assess financially. Commit to quality and work towards it.

As the UK leaves the EU and therefore may no longer have to adhere to *Official Journal of the European Union* (OJEU) rules, we may have more freedom to try some of these options, although obviously some of the rules built into UK legislation may have to change. Brexit and its effects on our industry still represent a huge unknown, but the potential to ease procurement rules may be one of the few positive aspects of the process. The government is putting plans in place in the event of a no-deal Brexit, and it has confirmed that the UK will set up its own electronic tender notification platform to replace the OJEU Tenders Electronic Daily platform.

How we take our industry forward rests in our hands. Fair and honest procurement processes can help us progress and ensure that the necessary modernisation is achieved and skilled individuals are attracted to our industry, in turn ensuring the sustainability of the UK construction sector. Modernise and thrive.

*John Nielsen is director of CK21 Ltd, regional chair of the Construction Industry Council (CIC) North East and CIC nations and regions champion, vice-chair of Constructing Excellence North East and chair of the NE Regional BIM Hub j.nielsen@ck21.co.uk*

**Related competencies include:** Procurement and tendering
A valuable contribution to society

The industry could add greater social value to its projects if it exercised a clearer understanding of what the concept entails

Rob Wolfe

One of the challenges facing built environment professionals is their lack of understanding of what ‘social value’ means. Yet the concept is not new and has come in many forms in the past, from community benefit to philanthropy, corporate social responsibility (CSR) to social impact and sustainability to socio-economics.

Defining social value is difficult because it is, like sustainability, both an umbrella term describing social, environmental and economic benefits to society and a stand-alone function concerning the health and well-being benefits to individuals.

The UK government defined social value in the Public Services (Social Value) Act 2012 (bit.ly/SocialValue2012), which requires those buying public services to consider how this can ‘improve the economic, social and environmental well-being of the relevant area’. As it stands, the Act only covers services commissioned by the public sector, and its legislative impact on construction is limited. However, local authorities and procurement frameworks have looked to our industry to meet the legislation’s requirements, predominantly due to the steps taken by the social housing sector, where contractual requirements for apprenticeships and local employment were adopted before the Act.

Constructing Excellence recently defined social value specifically for the built environment, saying it means ‘meeting the current needs of the industry and the communities in which we work; improving the quality of life for generations to come’. Adopting a balanced, collaborative and holistic approach is vital to making your contribution to the total social value, both negative and positive, of a development. Bear in mind that intentions may be admirable but still have a negative effect on this value: by way of illustration, for every £1 raised by charity parachutists, the NHS spends an average of £13.75 patching them up afterwards (bit.ly/charityparachute).

What is social value?
It is thus vital to embed a clear, practical business strategy for social value that:
• considers social value as part of physical assets’ total economic value
• develops and implements a social value plan from project inception to the assets’ legacy, RIBA Stages 0–7
• monitors social value centrally and makes it transparent, measurable and comparable.

Too often, responsibility lies with an individual and is not the focus of project teams or the whole business. The policy must come from and be endorsed by senior management, forming part of all employees’ roles and fostering a social value culture.

A project or business strategy should answer one simple question: where does our business or project have enough influence to achieve the most positive change for our stakeholders? Employees and partner colleagues should then ask: where do I have enough influence to achieve such change? The answer to both questions should include the eight key areas of social value (see Figure 1).

• Community: engaging and consulting with local communities should allow them to influence the development’s outcomes.
• Design: this should ensure materials are responsibly sourced, and green and blue spaces are created.
• Supply chain: social value can be created by contracting and upskilling suppliers. Support, training and contract opportunities can be provided for local small and medium-sized businesses, voluntary and community organisations and social enterprises. Payments should also be prompt, monitored and transparent.
• Skills: developing the skills of the existing, new and emerging workforce, throughout the supply chain and project lifecycle, should be a consideration.
• Employment: current and new professionals should be employed throughout the supply chain. There should be targeted recruitment of local individuals, and underrepresented, disadvantaged and vulnerable groups.
• Environment: considerations include waste management, responsible and ethical sourcing, minimising carbon emissions, the embodied carbon of manufacturing
Adapting to client needs while remaining true to your social value strategy and objectives is an integral part of the planning, procurement and project management process. For example, if a client’s focus is on supporting local enterprise as part of its inclusive growth strategy and part of your strategy is to help tackle the skills shortage, then you can:

- ensure prompt payment of your supply chain, allowing them to plan for recruitment, upskilling staff and investment, and then monitor and report on performance, successes and challenges
- open up internal and external training to local businesses to develop their skills, allowing them to bid for contracts and creating employment as people progress in their careers
- encourage new entrants to the industry by collaborating with your supply chain and local businesses to establish partnerships with a local school, college or university.

For surveyors and project managers in construction, social value activities and objectives can and should be planned and costed into the project from the outset, and managed, monitored and measured in the same way as quality and time.

**Social value rationale**

Social value will benefit government, public-sector clients and their communities in several ways, including:

- increased economic growth, prosperity and local spend, bringing additional local income through employment and business contracts and savings for public services
- increased health and well-being for residents, reducing unemployment and crime, raising aspirations, pride and skills
- increased retention of talent and skills, bringing innovation, new business and future prosperity to the local area
- increased funding for major construction projects and illustrating the benefits to the public sector.

The importance given to social value in public-sector planning, procurement and economic strategies is increasing. Many core cities are adopting inclusive growth strategies and highlighting the benefits for every member of society. Planning policies can ask for evidence of socio-economic and environmental impact assessments alongside economic ones. Procurement policies can be weighted heavily for social value, a percentage of total marks awarded being given to measures that help realise it.

This being so, there is one clear benefit of adopting and implementing a meaningful social value strategy: it helps win new business. It also brings industry-wide benefits that address the major challenges we face, as highlighted in the Farmer Review ([bit.ly/moderniseordie](bit.ly/moderniseordie)). There are numerous other qualitative benefits for you, your firm and the industry as a whole, as follows.

- Businesses that have a socially conscious culture are more attractive to new talent and have higher retention rates and more productive staff.
- Businesses whose activities generate social value have a better reputation in the public sector, helping them win more work.
- Businesses that can support clients in addressing local social challenges and boost the potential for inward public and private investment are seen as beneficial partners.

Figure 1. The eight key areas of social value
These benefits have been realised by businesses across the industry, BAM Construction, for instance, has made social value both a culture and an outcome for most projects. Its national community engagement manager Syreeta Bayne says: ‘Quantifying the social value created through projects … demonstrates the wider impact [our clients] are having, helping to aid their future investment decisions. It also engages and stimulates our people, giving us a more motivated workforce.’

As we see social value expand through the RIBA stages, we have also seen consultants, designers and engineers embrace its benefits. Shaun Lunn, a director at Faithful+Gould comments: ‘Our clients want to see a benefit that is more than just a set of numbers, and we want to create a place that is better than just the investment; but it has to stack up. Quantifying, monitoring and managing the social value alongside time, cost and quality allows us to differentiate ourselves from the competition in a commercial world.’

The attention paid by the public sector to social value is only going to increase in coming years; it will be measured and publicly shared, prompting private clients to do the same and in turn encouraging socially conscious businesses to thrive.

**Measuring social value**
This is fast becoming an industry of its own as we move from measurement of outputs and quantitative data to demonstrating outcomes and collecting qualitative data. It is important to understand where your business is on its journey from data management through data exploration to data analysis.

A report due to be published by Carrie-Ann Huelin, director of social value enterprise Viola Clause, explains that measurement can be categorised into these three levels of increasing complexity.

- **Data management:** this looks at what was achieved, and includes setting and managing key performance indicators (KPIs). Data from similar sectors or other companies in the same sector can be compared against a standard set of KPIs, allowing for shared best practice and sector-specific improvements based on performance.
- **Data exploration:** this considers both what was achieved and how, and involves KPI management and performance, including inputs, outputs and impact. It allows successful interventions to be understood and replicated while enabling you to learn about measures that were less successful than expected.
- **Data analysis:** what was achieved, how, was it worth it and should we adjust strategy? Is it meeting client needs? To answer these questions will entail consideration of KPIs and impact, including economic and political influences. It can also allow financial values to be applied to activities to communicate their commercial impact. The Unit Cost Database and the Global Value Exchange are two popular means of showing the social value created.

The Social Profit Calculator (SPC) is one tool that allows projects, organisations and businesses to monitor, demonstrate and measure social value in line with their own strategy (socialprofitcalculator.co.uk). The importance of not overclaiming social value, its impact and financial benefits is essential, as CEO of SPC Mark Bolger stresses: ‘We have incorporated multiple analysis frameworks so that robust, accountable and auditable social value calculations can be made to forecast and evaluate projects. But it is important to include impact measures such as attribution, deadweight, displacement, leakage and drop-off to make sure companies do not overclaim their social and financial contributions to society.’

**Where to go from here**
There have been many good examples of our industry demonstrating certain aspects of social value; however, projects that have taken social value to their heart and worked on it from inception to operation are hard to find. This is where the immediate future of social value lies.

A project lifecycle approach of this kind will see:
- public and private investors and developers designing and implementing social value from the project’s inception
- clients adopting the UN Sustainable Development Goals to ensure long-term outcomes for stakeholders and a move away from output numbers and box-ticking
- financial measurement of social value being used to influence the budget and quantify a project’s success or failure.

There is an opportunity for the industry to lead this positive shift in social value, but we need to make it part of the culture of our businesses, collaborate with our clients and competitors, and share both best and worst practice.

**Adopting a balanced, collaborative and holistic approach is vital to making your contribution to the total social value of a development**

Rob Wolfe is chair of Constructing Excellence’s Social Value theme group, fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce and managing director of CHY Consultancy

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**Related competencies include:**
Business planning

**Further information:** Clear and practical guidance on generating, implementing and measuring social value throughout the RIBA stages is available in Constructing Excellence’s Social value style guide (bit.ly/CEsocialvalue) and the UK Green Building Council’s report Social value in new development (bit.ly/UKGBCsocial).
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Creating a sustainable community

The London Legacy Development Corporation is guiding Queen Elizabeth Olympic Park through its transition from sporting venue to community space, exemplifying sustainability in all its forms.

Rosanna Lawes
When the London 2012 Olympic and Paralympic bid was won in 2005, the games were less than a decade away and the site of the future Queen Elizabeth Olympic Park was a very different place. Today’s parkland was wasteland, and part of the site was a dumping ground for industrial and domestic waste. Much of the land was contaminated by oil, tar, arsenic and lead, while the waterways in and around the park were neglected and water quality was poor. River walls were in bad condition and shopping trolleys and car tyres had been abandoned across the area. Potential wildlife habitats were suffocated by invasive plant species such as Japanese knotweed and floating pennywort. The area also suffered from the highest concentration of socio-economic disadvantage in the UK, with locals experiencing a much lower quality of life than the average Londoner.

The challenge was to transform the area into 14 permanent and temporary venues, 20km of new roads, 13km of tunnels, 26 bridges, 80ha of new parkland, and a transport hub for 17,000 athletes and officials. The bid committed to complete this task while staging the most sustainable games ever – one of the Olympic Delivery Authority’s six priorities along with design and accessibility, employment and skills, equality and inclusion, health, safety and security, and legacy.

Project management before the games focused on the way the area and facilities could be used afterwards, with 75p in every £1 spent going towards legacy benefit. This meant that venues and housing on the site would be developed to respond to and tackle the significant environmental challenges of a changing climate, the loss of biodiversity and the overconsumption of vital resources. It also meant considering social equality, employment and economic growth and prosperity.

Responsibility for achieving these wider aims was assumed by the London Legacy Development Corporation, which was formed in April 2012 with the goal of using the games and the park to change the lives of people in East London and encourage growth and investment. The corporation’s sustainability work focuses on the following four main themes:

- **smart park**: using data and innovative technologies to enhance the park
- **future living**: testing and showcasing new approaches to living on the park and in the local communities
- **garden district**: creating a biodiverse and sustainable part of London
- **neighbourhoods**: designing and developing the park’s communities to enable sustainable lifestyles.

### Adaptive re-use

Much work has been done to alter the infrastructure and landscape created for the games so they can be used in a completely different way. These alterations resulted in more than 35km of pathways and cycleways, 6.5km of waterways, more than 100ha that could be designated as Metropolitan Open Land, 45ha of Biodiversity Action Plan Habitat, 4,000 trees, playgrounds and of course a park suitable for year-round events and sporting activities.

Thinking about the source of the park’s energy and how it is used is an important part of ensuring its sustainability. Energy efficiency and carbon reduction targets are considered at a national, city and local level. The park’s heating and cooling system, for instance, is the UK’s largest low-carbon, decentralised, combined heat, cooling and power network, incorporating 18km of pipes and wires and serving all park venues as well as the East Village and Westfield Stratford City, with plans to extend into Hackney Wick and Fish Island. All non-residential buildings must be rated ‘excellent’ by BREEAM and achieve a 35 per cent greater reduction in carbon emissions than that required by the Building Regulations 2013.

The Copper Box Arena, which was home to handball, modern pentathlon, fencing and goalball during the games, was adapted so that it can now host an even larger number of sports, and houses many local clubs. It provides a daytime base for fitness activities and a night-time venue for concerts and other entertainment events. The arena is also environmentally friendly.
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sustainable, the top half covered in 3,000m² of copper with a high recycled content that gives the venue its name. The design also incorporates 88 light pipes, which draw natural light into the interior, as well as collectors of rainwater. The cost of these is offset by their long-term benefit, reducing both energy and water use by 40 per cent.

Overall, 47 per cent of the park’s water demand is met by reclaimed or recycled water, a significant contribution being made by the London Aquatics Centre, which uses as little water — the three pools hold about 10m litres — and energy as possible. This has resulted in 601 tonnes of carbon dioxide equivalent being saved since 2014, and emissions continue to decline. Measures taken include the following.

• **Turning down all pool pumps:** the training and competition pool pumps are turned down to 85 per cent of their power during the day, and 70 per cent during the night, while the diving pool remains at a constant temperature, in line with its use.

• **Upgrading the heating and cooling systems:** the air conditioning in the building has been given new controls that allow cooling by outside air when temperatures are low enough, and ensures cooling and heating systems are only used when necessary.

• **Recycling hot air:** the main competition pool hall is now kept at 27°C using destratification fans. These blow the rising warm air back down to pool level, protecting expensive equipment in the roof while ensuring swimmers are the perfect temperature when on the pool side.

• **Reusing pool water for toilets:** our backwash recovery system collects pool water to flush all toilets in the building, saving nearly two Olympic-sized pools’ worth of water every year.

We are currently working on developing the following as well.

• **A variable flow rate chiller:** this will use less energy to cool the building while enabling heat generated by the chilling process to warm the 50m training pool.

• **A reverse osmosis system:** this will allow us to recycle most of the pool’s water while still keeping it clean.

In the transitional period, the temporary seating removed from the wings of the centre was gifted to community groups across the country, allowing the benefit of the games to continue to be felt elsewhere.

Adapting the Olympic Stadium — now known as the London Stadium — was a complicated process. The bowl was initially made by excavating 800,000 tonnes of soil, most of which was then cleaned and re-used across the site. Converting the track-and-field venue into a multipurpose stadium for football, athletics and entertainment involved removing 25,000 seats, covering the athletics track with a 75cm layer of recycled concrete to protect it during the heavy lifting, removing 14 floodlight panels, constructing a steel halo to encircle the stadium and replacing the seating design. The initial cost of the stadium was £450m, and £323m was then spent to repurpose it.

**Neighbourhood developments**

Naturally, there are rigorous environmental sustainability requirements for new developments on the park, and any residential properties must be zero-carbon to be granted planning permission. The first of the new neighbourhoods on the park site was Chobham Manor, which was built to the Lifetime Homes Standard and level 4 of the Code for Sustainable Homes — one of the standards used by local planning authorities until the government streamlined standards under the Building Regulations — with 25 exemplar sustainable homes exceeding these requirements.

All new homes are connected to the district energy network, with some also incorporating solar photovoltaic panels to generate their own electricity. Properties connect to a low-carbon heat network while using efficient appliances and lighting, and selected plots benefit from brown roofs and green walls. Overall residential carbon dioxide emissions are predicted to be at least 50 per cent lower than the 2010

During the transition stage, the roof is lifted from the former Olympic Stadium (top) and the temporary side stands are removed from the London Aquatics Centre (above)
Building Regulations target, with exemplar houses achieving a 100 per cent reduction – that is, they have zero emissions – on fuel for heating, hot water and lighting through on-site measures alone. Exacting levels of fabric efficiency have been carefully balanced with considerations of a future climate. Most of the fabrication of the neighbourhood was done on site. The materials used for all building elements helped achieve the required standards, and were chosen to reduce the amount of energy needed to heat and maintain each home.

The aim of Chobham Manor and other neighbourhoods in the park is to create a settled community. A number of homes in Chobham Manor have been designed specifically to appeal to multiple generations of the same family, while 28 per cent of units will be affordable housing. The properties have provision for home working, secure on-plot cycle storage and electric vehicle charging. Additionally, no home is more than 350m away from a bus stop, to encourage use of public transport.

At the East Wick and Sweetwater developments, the LLDC’s development partner is working on strategic infrastructure, including two new bridges between Queen Elizabeth Olympic Park and communities to its west, and on removing an existing footbridge that will be set aside for potential re-use.

Inclusive environments
Inclusive design means creating sustainable neighbourhoods and communities that meet the needs of 21st-century society by considering the widest possible range of possible residents and visitors and addressing the needs of people who have been traditionally excluded or marginalised by mainstream design due to disability, age, gender, sexual orientation, race or faith. This is key to work on the park: design should meet the needs of the diverse population and remove the physical barriers that can segregate and exclude.

To help us achieve this, we have developed our own Inclusive Design Standards (bit.ly/LLDCIDS), providing a benchmark against which we can measure the realisation of inclusive design across the park. These are set out in four key parts:

- public realm
- residential developments
- public buildings, including venues
- spectator and participant needs at venues.

Each part is in turn split into two sections: design intent, which gives some background and context, and inclusive design guidelines, which set out good practice to achieve accessible and inclusive environments. These guidelines are then applied to all areas and aspects of the park.

For example, floor surfaces in public buildings including venues need to ensure that all people can travel horizontally in a safe and convenient way without discomfort. In order to achieve this, the following principles should be observed:

- Glossy or highly polished materials are not to be used because they can appear wet and thus slippery, even if they are not. They can also cause reflective glare and confuse some people with visual impairments.

- Matting and carpets should have a shallow, dense, non-directional pile.

- At entrance points a floor surface that removes water is to be provided, ensuring that floors remain dry and slip-resistant.

- Entrance matting systems deeper than the minimum 1,500mm are likely to be required at entrances with heavy pedestrian traffic.

- In areas that may become wet, such as the building entrance, changing and shower areas or pool side, anti-slip surfaces or safety flooring should accord with Health and Safety Executive guidance.

In addition, the corporation established a dedicated Built Environment Access Panel (BEAP) – comprising members of the original Olympic Delivery Authority BEAP, members of the Stratford City Consultative Access Group and local diverse community members – that provides advice, technical help and feedback.

Urban exemplar
Initially, the London Legacy Development Corporation undertook an ambitious 18-month transformation programme costing £285m, which resulted in the north of the park reopening in July 2013 and the south side the following April. We continue to work develop a dynamic new heart for East London, creating opportunities for local people; there will be 40,000 jobs on the park site by 2025 and 24,000 new homes by 2031. The creation of a Smart Mobility Living Lab, which will provide an urban test bed for a complex public environment capable of demonstrating and evaluating the use, performance and benefits of connected and automated vehicle technology, is also under way.

While data and commentary is currently available, the real test will be in ten to 15 years. Only then will we know whether we’ve succeeded in creating an environmentally, economically and socially sustainable community.

Rosanna Lawes is executive director of development at the London Legacy Development Corporation press@queenelizabetholympicpark.co.uk

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Inclusive environments, Sustainability
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Better data

While the construction and infrastructure industries generate huge amounts of data, its full value has yet to be realised

Dr Jennifer Schooling

The increasing ubiquity of infrastructure data sources, from installed sensors to serendipitous data from social media, gives us an opportunity to gain unparalleled insights into the way our infrastructure is performing, how we are using it, whether it is fit for the future, and what new infrastructure we may need to invest in.

The infrastructure and construction industries generate a lot of data, but do not often extract or exploit its full value. The cost of storing, processing and transmitting data has fallen significantly in recent years, driving digital transformation across all industries and also presenting a timely opportunity for infrastructure and construction to work more efficiently, sustainably and profitably.

However, in order to realise the full benefits of this, we must change the way we perceive, manage and value the data we generate. We need to make the most of our data, and this requires us to identify what information we want from the data we collect, process it accordingly and make it accessible for future reference.

Currently, we often use monitoring data to assess whether a particular quantity or property falls above or below a certain threshold, which then highlights whether there is an issue with the asset. After doing so, we typically dispose of the data or archive it in such a way that it is not easy to retrieve. We are not looking beyond the task in hand.

This approach does not provide value for money; collecting data incurs cost, and if we used the data more fully — not just to establish proximity to a threshold but to identify trends in that data over a period of time — it would offer us a better understanding of an asset’s behaviour in terms of any rate of change and the speed at which a potential problem is developing.

Richer information enables better decision-making. If we have a fuller picture of the behaviour of an asset, we can understand how urgently an issue needs to be addressed and plan accordingly.

Analysing data in this way allows action to be taken before a critical threshold is reached. Crucially, it enables the sector to progress from the reactive maintenance and management of our assets to a more cost-effective, risk-based maintenance and management approach. If we treat or repair an asset before maintenance is required, money is wasted because there is additional capacity remaining; if we act too late, costs can rise due to the greater level of damage and the associated disruption to the network the asset serves. Using the data, we can identify the best time to take action.

Fundamentally, our industry needs to get much better at identifying the potential value of data and processing and maintaining it in such a way that allows us to retrieve it and use it again. That means establishing structured approaches to both collecting and storing data and having reliable metadata — knowledge of when the data was captured, and why and how, so that we can reliably assess its quality. Changing the way that we perceive, collect and curate data will unlock huge value. We need a shift in mindset from treating data as disposable to seeing it as an asset of value in itself, and as an important tool in maintaining a physical asset.

There are other issues to consider: being able to gain more from existing assets through digital enhancement of mature infrastructure is crucial because we cannot simply build our way out of a capacity constraint. Taking major pieces of infrastructure out of commission because they have degraded beyond the point of useability causes huge disruptions and potential safety implications. Increasing urbanisation puts greater pressure on resources and, in the face of climate change, we have a responsibility to manage our use of carbon-intensive materials effectively and efficiently.

Whole-life value

We must use the tools and technologies at our disposal to ensure that new infrastructure is designed and built with consideration for the value it provides throughout the whole life of the asset, not just for the lowest capital cost. This means considering the operational and maintenance costs at the design phase, and optimising for these costs as well as the cost of construction. Making better use of data throughout the infrastructure cycle is essential because it enables better decisions, which lead to better outcomes for those who will ultimately be using the asset (see Figure 1).
Our industry has made great strides in collecting monitoring data on some of our infrastructure projects. However, because that data has been considered only to be of relevance at the point of collection, it has not been maintained adequately for future use. The next step is therefore to think about the long-term value of that data, both in terms of managing the asset and improving our design and construction models and processes.

There are still barriers to overcome. Our sector lacks experience, and case studies attributing value to the collection and curation of data are few and far between. Additional investment in better maintenance of data we have already paid to collect would unlock significant value for relatively limited cost.

Integrating infrastructure information
Information management is critical to securing this long-term value. At the Centre for Smart Infrastructure and Construction, researchers are developing tools for integrating different data sources to support whole-life management of infrastructure assets and systems. Asset information futureproofing for whole-life value helps organisations to understand their information retention requirements, assess the risks of information losses in the long term and identify ways of mitigating that risk.

The National Infrastructure Commission’s Data for the public good report (bit.ly/NICdatarep) is a call to arms, and its proposal for the formation of a national framework for infrastructure data — which the Centre for Digital Built Britain is leading through the Data Framework Task Group chaired by Mark Enzer — has been accepted by government. Many individual client, contracting and consulting organisations are already starting down this route and thinking about how they specify their data requirements and manage the data collected to enable maximum value. The challenge and the opportunity is to bring together people from the various points in an asset’s lifecycle to ensure the relevant data created during construction is secured, stored and curated for future use by asset managers and operators.

Figure 1. A model showing the main components of digital infrastructure. Applying this model to physical assets enables them to become smart infrastructure

Driving change
Clients and asset owners have a key role to play in setting out their information requirements. They have the long-term interest in the asset, and are in the best position to specify the data that needs to accompany it through its lifecycle. This is essential because various organisations will inevitably be involved in maintaining the asset over this time, particularly in the case of long-serving infrastructure.

Momentum is growing. The Infrastructure Client Group’s Digital Transformation Task Group comprises a number of major clients and project organisations that are seeking to progress digital transformation strategies. Driving change is often difficult, but there are a lot of exciting and innovative initiatives emerging from this group, members of which are tackling different aspects of the challenge. Working together and pooling strategies will help build impetus and move us all in the right direction.

The intelligent use of digital technologies will enable us to design, build and manage our built assets to create a smart, digital economy that brings benefits to all society.

Dr Jennifer Schooling is director of the Centre for Smart Infrastructure and Construction (CSIC) at the University of Cambridge, and chair of the Research Strategy Steering Group at the Centre for Digital Built Britain (CDBB) jms33@cam.ac.uk @JenniferCSIC

Related competencies include:
Data management
Copenhagen: the City & Port Development Corporation takes a unified approach to exploiting the value of public assets such as land and buildings.
Self-help for cities

Rigid public organisations and outdated financial structures are holding back the development of modern cities. Self-governing and financing arrangements could be the answer, as examples from Scandinavia show

Luise Noring

In most societies, cities struggle to implement positive initiatives due to the rigid institutional structures of public organisations. There are many legitimate reasons for such structures, including ensuring accountability and transparency and preventing malpractice and corruption. Yet the rigidity seems to hamper societies that must more and more often respond to the faster pace of change — including the abrupt collapse of the housing market, unforeseen climate disasters, mass refugee migration and violent protests. In many circumstances, life simply moves more quickly than the institutions responsible for tackling these challenges.

By the same token, our financial structures seem outdated. Banks and other institutions eagerly provide cheap finance for the wealthy, yet are unwilling to do so for the poor. Many financial institutions tend to be highly compartmentalised, focusing on separate products rather than holistic places, and are guided by short-term concerns such as electoral politics and shifts in popular opinion.

Addressing the role of such structures and institutions in cementing socio-economic immobility and enhancing inequality is thus an unpopular topic and seemingly the only option this leaves for improving the livelihood of the poor is raising taxes. As a result, governments are left strapped for cash for decent healthcare, housing, education and other services. Those less fortunate must concentrate on surviving, making it harder to get out of poverty.

The arguments presented here are, of course, oversimplified. But in essence, if we do not see beyond the constraints of our public and financial institutions we are left without hope for a better future. This is the motivation behind the search for self-governing and self-financing arrangements for cities. Cities are the closest governance level to citizens, and by enabling such arrangements, we can have a direct impact on people’s lives. Currently, there are three dominant ways of raising investment capital in cities: taxes, land-value capture, and tax increment financing (TIF).

However, taxes are scarce in spite of population growth because this prompts increased demand for public services and goods. First, as more people move into cities the price of housing increases, in turn meaning more people need housing subsidies and demand for affordable and social housing also rises. Both are the responsibility of the public sector. Second, as more people move into cities and housing prices rise, those on lower and middle incomes are pushed further out to access affordable housing. This increases demands on roads and public transport — also a public-sector responsibility. Third, energy distribution must respond to increased pressures.

At the same time, we know that if we do not create liveable cities with lower air pollution, more green space, good road infrastructure, investment in renewable energy and so on the challenges of urbanisation will become either extremely costly to reverse or irreversible. This is without factoring in the extra public spending needed to provide an ageing population with better medical care.

So while tax revenue per capita tends to stay more or less the same, expanding public housing, transport and energy infrastructure lead to a steeper rise in the curve of public spending. Most societies are confronted with population growth, urbanisation, infrastructure that is outdated or in short supply, and climate disruption. To provide services such as healthcare, schools, housing, sanitation and energy for these diverse, growing populations with scarce taxes is therefore impossible.

Land-value capture is a solid alternative, but it requires local governments to own and manage the land assets. It also needs to
be done smartly to reap the benefits of the value thus captured. TIF, meanwhile, is available for local government that does not own and manage land assets but is able to spend future tax revenue to service and repay bonds. Yet if future taxes are spent on repaying these bonds, that revenue cannot be spent on services. In short, we need better ways of governing and financing our cities.

It will probably come as a surprise to most readers that there are many kinds of self-governance and self-financing in use. Most are, unfortunately, ignored; but a few examples are proving successful.

Copenhagen
The Copenhagen City & Port Development Corporation is a vehicle for leveraging the value of public assets such as land and buildings. It is important to note that this needs a unified approach, because if several public entities are trying to leverage their assets simultaneously then the price is lowered and it does not work.

When landownership is fragmented, each public authority sells its land assets as it needs; but in times of recession when the public sector is strapped for cash, this may flood the market with supply. That was the case in Copenhagen during the 1970s, when the port authority had to sell land in prime locations at lower prices.

When a city does not have a dedicated, holistic strategy for optimising land assets and public entities sell land to close budgetary holes, such assets are often sold below market value. City & Port was however able to manage the market by sequencing the supply of land on sale and was also able to wait out the global recession rather than reduce the price of the land.

So that it can operate efficiently and respond effectively to the market, it is allowed ample freedom of operation from the public institutions that own and oversee it. With too much public-sector interference, it would be unable to maximise revenue that is being funnelled into the construction of a city-wide metro system.

Affordable housing
The Danish model for affordable social housing is another example of self-governance and financing. The industry consists of private, non-profit housing cooperatives that are owned, governed and financed by their members. The tenants select and prepare leaders from among their own number and also pay their rent back into the savings scheme. One-third of it goes towards the improvement and maintenance of their housing estate, while another third goes towards the savings of the housing cooperative, which owns and oversees multiple estates; the final third is put into the National Building Fund to finance the construction of new affordable and social housing. This arrangement prompted the CEO of housing cooperative KAB Jens Elmelund to say: ‘If you think about it, it is quite remarkable that this segment of society is making such enormous savings for collective use.’

Although the national government made huge withdrawals from the National Building Fund in 2016, leaving it with a deficit of €805m by 2030. Between the housing cooperatives and the fund, the industry is well consolidated, providing affordable social housing for every fifth citizen in Denmark.

Local Government Denmark
Local Government Denmark (KL) is a private membership organisation that represents all Danish municipalities. The founding principle is that by bringing them together, KL is able to gain political and fiscal competencies that each municipality would not have if it were working by itself. KL is the permanent partner in the annual negotiations with the finance ministry that settle the municipal budgets.

Danish municipalities allocate 50 per cent of the entire public budget, compared with the 30 per cent that are allocated by national government and 20 per cent by the regions. Every three years, KL meets with trade unions, regional authorities and the national government to determine the salaries, terms and conditions for the half a million municipal employees.

KommunelInvest
The Swedish Local Debt Office KommunelInvest is another private membership organisation, which represents 272 of the 290 Swedish municipalities in the financial markets. With a lending portfolio of around €30bn, it is a powerful player in the domestic and international financial markets. In the global market, scale is essential and by bundling all municipal loans KommunelInvest is able to negotiate these on similar terms to its peers.

KommunelInvest aims to provide cost-efficient, stable funding for all its members. It holds a triple-A credit rating due to its conservative investment tactics and loan guarantees provided by its members. The office also helps fund investments for Swedish municipalities in energy, housing and infrastructure. It will invest directly in local housing and transport corporations and, on behalf of its county members, it also invests directly in healthcare. In Sweden, municipalities allocate 70 per cent of the public budget.

What’s stopping us?
We may ask ourselves: why not all implement these and other self-governing and self-financing measures? What are the barriers?

The short answer is an unimaginative reliance on existing institutions and financial tools. Cities are unable to see beyond limited, short-term ambitions and capabilities. Bundling assets or competencies under the management of one entity, municipalities in KL and KommunelInvest relinquish individual political power to join collective negotiations instead. In the process, each must accept the opinion of the majority of member municipalities.

A long-term strategy for affordable social housing requires cities to maintain a vision and the ability to realise it over many election cycles. Accruing massive savings takes years: but if cities are open to new kinds of thinking and organisation, we can go a long way towards ameliorating these seemingly intractable urban problems.

Luise Noring is assistant professor at the Copenhagen Business School’s Department of Management, Society and Communication
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Bigging up small business

The role of small to medium-sized enterprises in UK construction is more important than ever in supporting local communities and ensuring skills are retained.

Luke Turner

According to the Business population estimates for the UK and regions 2018 from the Department for Business, Energy & Industrial Strategy, more than 90 per cent of the 5.7m businesses in the UK are small or medium-sized enterprises (SMEs), defined as those employing no more than 249 people (bit.ly/DBEISsmallbus18). Overall, SMEs account for 60 per cent of employment, or 16.3m people, and 52 per cent of turnover, totalling £2tr. Nearly a fifth of all SMEs are in the construction industry, with slightly fewer than 1m companies employing 1.835m people, and a further 815,000, employing 1.98m people, operating in professional, scientific and technical activities.

SMEs have been described by Theresa May as the ‘backbone’ of the economy: they are key to its overall success and vital to the creation of jobs. Their strengths include the ability to do the following.

- **Adapt quickly to change**: decisions can be taken by managers and implemented throughout the company expeditiously.
- **Quickly respond to new and developing markets**, analysing areas for growth and quickly targeting new opportunities.
- **Innovate in working practices and use of technology**: the cost of training is reduced due to smaller numbers of staff, so new technology or working methods can be applied on schemes far more quickly.
- **Create agile working environments and allow flexible working hours**: SMEs are often employee-focused, a major benefit for those who cannot fit the 9—5 working day.
- **Benefit from greater buy-in**: staff members adopt company vision and goals through a one-team ethos.

There is still a need for national and local government to invest in projects that develop our communities’ core services and meet the ever-growing demand for housing. But market uncertainty over Brexit and sustained cuts to local authority funding mean the procurement of such work will need to be done in a more cost-effective, sustainable manner. SMEs play a key role in ensuring that the construction industry remains sustainable, diverse and protected against these difficult economic conditions.

It is because of this that, in 2015, the Minister for the Cabinet Office at the time, Matt Hancock MP, set the ambitious target for government to spend £1 in every £3 with small businesses, promising improvements to the way it procures goods and services. The National Federation of Self-Employed & Small Businesses found that, for every...
£1 of council spending on local small firms 63p is respent locally, compared to 40p of each pound spent with local branches of large firms. Overall, local SME respending generated £746m more for local economies, even though they received £500m less from council contracts (bit.ly/FSBlocalproc).

For an SME, every project matters. They cannot afford a bad reputation, so partners and directors are committed to ensuring staff manage and control projects effectively. SME managers are generally more accessible to clients to discuss any elements of the project, so the client knows there is accountability at the highest level. Projects often have a designated partner from a practice who has ultimate responsibility for the team’s performance.

No matter the value of the contract an SME will, in most cases, appoint a qualified member of staff to the scheme. This is a major benefit on small and medium-sized projects, which can often be complex and need an experienced hand. Whether providing early cost advice, producing detailed tender documentation, regularly assessing overall project spend or having the expertise to negotiate a final account assessment, an experienced quantity surveyor dedicated to the scheme is often of a source of great comfort to the client.

Crucially, the competitive performance of SMEs pushes larger firms to improve. For example, Playle & Partners has been appointed on a number of key public-sector framework contracts in the South East of England, competing against much bigger organisations. The reputation of an SME is a critical part of its continued success.

Being employed by an SME often gives opportunities to work on projects that will affect the communities in which employees live, and this can be hugely rewarding. The most satisfying projects in my career have been those that benefited people who live and work locally, such as the Marcus Garvey Library in Tottenham, a £3m rejuvenation of a building that is an integral, much-loved part of the local community.

An SME is more than just a workplace, it is a second family: one where colleagues may have worked together for many years and an environment that, if well managed, can lead to a one-team ethos.

When considering working for a company, it is important to examine whether it has shown commitment to supporting young talent. Companies and managers who continue to develop young project managers and surveyors play an important role in shaping and improving not just their own enterprises but the whole industry and the service it provides.

SMEs often have a strong record of investing in degrees, professional qualifications, chartered membership and CPD. A number of partners, associates and senior staff are therefore developed by the business, and this commitment continues with work experience, placements, internships and degree apprenticeships.

I joined Playle & Partners in 2006 from a local sixth form, and it has supported me in achieving my degree, my memberships of RICS and the Association for Project Management, and my becoming a partner.

SMEs can provide training and development across a varied portfolio of work, and junior staff will be trusted to perform key tasks. At an SME there are no passengers: everyone plays a crucial part in the overall performance of the team.

Upskilling will continue to grow in importance in the coming decade as the use of technology and automation becomes more prevalent. Measurement take-offs were once completed by teams of surveyors over many days or weeks, but this task can now be done in a fraction of the time with measurement software on projects using BIM. The industry needs surveyors to embrace this change and learn the required skills, especially those who have built up their technical knowledge over many years of practice and want to pass this on.

SMEs in construction and professional services are well placed to support the UK economy after Brexit. There will be tough times ahead, but the strengths of such enterprises and their employees will help them adapt, change and – I hope – thrive.

Luke Turner is a partner at Playle & Partners LLP lturner@playleandpartners.co.uk playleandpartners.co.uk

Related competencies include: Business planning

**DBEIS estimates**

More than 99% of businesses in the UK are SMEs

Overall, SMEs account for 60% of employment

Nearly 1 in 5 SMEs are in construction

Construction accounts for 12% of all SME turnover

Source: bit.ly/DBEISsmallbus18

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£1 of council spending on local small firms 63p is respent locally, compared to 40p of each pound spent with local branches of large firms. Overall, local SME respending generated £746m more for local economies, even though they received £500m less from council contracts (bit.ly/FSBlocalproc).

For an SME, every project matters. They cannot afford a bad reputation, so partners and directors are committed to ensuring staff manage and control projects effectively. SME managers are generally more accessible to clients to discuss any elements of the project, so the client knows there is accountability at the highest level. Projects often have a designated partner from a practice who has ultimate responsibility for the team’s performance.

No matter the value of the contract an SME will, in most cases, appoint a qualified member of staff to the scheme. This is a major benefit on small and medium-sized projects, which can often be complex and need an experienced hand. Whether providing early cost advice, producing detailed tender documentation, regularly assessing overall project spend or having the expertise to negotiate a final account assessment, an experienced quantity surveyor dedicated to the scheme is often of a source of great comfort to the client.

Crucially, the competitive performance of SMEs pushes larger firms to improve. For example, Playle & Partners has been appointed on a number of key public-sector framework contracts in the South East of England, competing against much bigger organisations. The reputation of an SME is a critical part of its continued success.

Being employed by an SME often gives opportunities to work on projects that will affect the communities in which employees live, and this can be hugely rewarding. The most satisfying projects in my career have been those that benefited people who live and work locally, such as the Marcus Garvey Library in Tottenham, a £3m rejuvenation of a building that is an integral, much-loved part of the local community.

An SME is more than just a workplace, it is a second family: one where colleagues may have worked together for many years and an environment that, if well managed, can lead to a one-team ethos.

When considering working for a company, it is important to examine whether it has shown commitment to supporting young talent. Companies and managers who continue to develop young project managers and surveyors play an important role in shaping and improving not just their own enterprises but the whole industry and the service it provides.

SMEs often have a strong record of investing in degrees, professional qualifications, chartered membership and CPD. A number of partners, associates and senior staff are therefore developed by the business, and this commitment continues with work experience, placements, internships and degree apprenticeships.

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The more things change...

The fourth NBS National Construction Contracts and Law Report reaffirms what the construction industry has known for some time: better communication and collaboration are required to prevent disputes arising.

Roland Finch

In 1998, France won the FIFA World Cup; the UK government was wrangling over the Treaty of Amsterdam, which redefined its relationship with the EU; and the UK Construction Industry Task Force chaired by Sir John Egan published its report Rethinking Construction, which recommended that the industry look at new methods of improving efficiency and reducing waste and disputes.

Twenty years later it may seem some things haven’t changed, as the NBS introduces National Construction Contracts and Law Report 2018, the fourth such major report (bit.ly/NBSclrep18). The report suggests that despite great efforts over the years, our sector remains an adversarial one, with one-third of respondents having been involved in a dispute in the previous 12 months, and nearly 40 per cent feeling that the number of disputes is on the increase.

The purpose of the survey is to identify trends under four main headings. These are:

- procurement methods and tendering
- collaboration, including building information modelling (BIM)
- contracts and forms of appointment
- legal issues, disputes, and dispute resolution.

Each topic can be considered in isolation, but looked at together they offer an overview of current feeling on construction contracting practice in the UK.

Respondents were asked to give details of their experiences during the 12-month period immediately before completing the survey; the survey itself ran between August and November 2017, so the figures relate to the greater part of 2017 and the last quarter of 2016.

To consider the first of the categories, the two most popular procurement methods by a substantial margin are traditional, at 46 per cent, and design and build at 41 per cent. Partnering comes in a distant third at three per cent despite calls for improved collaboration, particularly from the government. Single-stage competitive tendering is still the most popular tender method, although two-stage or some form of negotiation are not far behind. Around 70 per cent of consultants and a similar proportion of contractors say they always or sometimes use electronic tendering, representing a steady increase on previous surveys, and the vast majority are still relying on fixed-price lump-sum contracts.
It seems traditional procurement methods are called that for a reason, and until clients in the construction industry begin to take an interest in actively managing their projects, the single-point responsibility of design and build will prove attractive enough to outweigh the perceived loss of control that such contracts entail. The perhaps unpalatable conclusion is that, with a few notable exceptions, clients don’t want to be involved. This is of course at odds with the government vision that the client should take additional responsibility for matters such as health and safety, BIM, sustainability among others. It seems there is still some way to go to establishing an enticing business case to make this a reality.

As for the next heading, collaboration has been a hot topic in the industry for a number of years now. It is perhaps disappointing to note, therefore, that the most popular response to our question on the collaboration techniques used is ‘the inclusion of a mutual trust and cooperation clause’; at 65 per cent. Even this figure is down on previous surveys — in 2013, it was 81 per cent. Perhaps more discouraging is the reason for not engaging in formal collaboration: 43 per cent said the client is the main obstacle, even though most respondents agree that collaboration could both reduce the number of disputes and help fulfil client objectives. It is sometimes difficult to see how these arguments square in practice, although the results are relatively consistent throughout previous surveys.

BIM appears to be increasingly visible in the industry, though; only one per cent of respondents to the latest NBS National BIM Report (bit.ly/NBSBIMrep18) were unaware of it. Interestingly, about half of those who responded to the contracts and law survey agreed that collaboration is helped by BIM, yet around one-third are concerned that it makes responsibility less clear. Definitely some food for thought.

Although the section on contracts and forms of appointment is in some ways incidental to the contracts and law survey’s main purpose — examining subjects that are exercising the minds of those surveyed — it is always useful to have an overview of which contractual solutions people tend to adopt, particularly for the contract publishers themselves. As might be expected, the UK standard form construction contract market continues to be dominated by the well-established publishers. Our latest survey suggests that on this occasion JCT has extended its lead for contracts in the categories ‘used most often’ and ‘used at all!’ It’s important to note, however, that this is not an indicator of actual numbers or value of work for any particular contract or form.

One interesting and consistent finding of the four NBS contracts and law surveys is the extent to which bespoke contracting arrangements continue to be used. By bespoke we don’t mean amended standard forms, but those that are written from scratch for a specific purpose. The fact that our survey records these as being third in the list, ahead of standard forms produced by several well-known publishers, suggests there must be a significant number of jobs where the participants conclude that a special arrangement is needed to reflect their requirements.

Another finding from our previous three surveys, that a small percentage of respondents never sign their contract documents, remains disappointingly true on this occasion. This may just be down to carelessness, but could also be due to the parties not agreeing the terms, which will inevitably lead to confusion. Likewise, there are a number of trends that have been identified through this and previous NBS surveys when it comes to legal issues and disputes. Almost irrespective of the form of contract used or the value of the work, problems tend to centre on contract administration, variations, and the poor supply of information. Significantly but perhaps not surprisingly, each party tends to blame the other for these failings, which is fairly obviously the inevitable source of dispute. It seems a combination of these problems is at the root of all issues in one way or another, but it is probably equally simplistic to suggest they can all be easily resolved.

What can surveyors do to avoid disputes? On the face of it the answer appears straightforward: better communication, collaboration, quality of information and contractual processes. With incremental change, results can be improved. The finding that contract administration represents a problem suggests that existing procedures are not being followed, but there is no clear indication as to whether they are being willfully ignored, or whether it is simply a result of poor understanding or a need for improved training. One obvious solution is that a better and clearer comprehension is required of the roles and responsibilities of everyone in the team; this should avoid duplication and increase efficiency.

The advent of BIM and similar technologies will certainly mean that information is more structured and easily accessible. It should be more easily transmitted and handled, with some tasks routinely automated, leading to greater accuracy. With better understanding, processes, techniques and clearer information, it can only be hoped that relations between all parties will improve and there will, ultimately, be fewer disagreements. Otherwise, we can always retrain as mediators.

Roland Finch is a technical authoring coordinator at the NBS roland.finch@thenbs.com

Related competencies include: Conflict avoidance, management and dispute resolution procedures, Procurement and tendering

Further information: thenbs.com
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‘If you suspect insolvency is impending, your client will be looking to you to help assess the situation’

In a post-Carillion world, the spectre of insolvency can haunt a project. Research by the Insolvency Service immediately after the contractor’s collapse indicated that the rate of UK construction insolvencies rose by eight per cent in 2016/17, with more than 2,600 such companies becoming insolvent.

But steps can be taken to avoid an unfinished project, a building riddled with defects, no security for the developer’s cross-claims, and an unhappy client looking to blame the contract administrator.

Any of the following may indicate that your client’s contractor is in difficulty:

- contractor demanding swift payment or early release of retention or any other changes in payment patterns
- subcontractors contacting your client directly, seeking payment
- withdrawal of labour, including changes to key individuals on site
- less frequent deliveries or removal of various goods and materials from site
- a general slowdown in progress of works
- increased number of defects.

At this early warning stage you should exercise caution and establish whether your concerns are correct, as mistaken allegations will erode trust. Gather all relevant information, particularly about payment and value of works — if the contractor is teetering on the edge, denial of cash flow may result in the unwanted distraction of adjudication or push it into insolvency.

If you suspect insolvency is impending, your client will be looking to you to help assess the situation. Do you advise it to terminate the contract, or think about ways it can encourage and help its ailing contractor finish the project? The following factors ought to be taken into account:

- How close are you to the project’s end? Could there be an issue with the transfer of design liability to any new contractor?
- Is there a performance bond? Will your client have access to funds to complete the work? This will usually depend on the nature of the event and the bond’s wording. Even when an insolvency event occurs, it may not be possible to make a call without obtaining the decision of an adjudicator. If so, proceedings may need to be instigated before the date of the event to avoid being stayed pursuant to insolvency laws.
- Is there a parent company guarantee? If so, what is the financial position of the parent? Is the rest of the group financially sound?
- How is the project financed? Is there a fund or lender your client should involve in the decision? Is your client facing an event of default under any funding arrangements?
- Is the contractor in breach of contract, and does this entitle your client to terminate? This needs careful thought. Getting it wrong may enable the contractor to claim a repudiatory breach of contract and seek damages for wrongful termination.
- Can your client quickly build out the works? Is a replacement contractor available and can you keep trusted and reliable subcontractors by using step-in rights?
- Is there a fund or lender your client should involve in the decision? Is your client facing an event of default under any funding arrangements?

If you have immediate concerns, you will need to:

- monitor the contractor’s performance closely, both on site and financially
- consider regular site visits
- keep detailed records
- ensure any payments are in line with the work completed and any ‘pay less’ notices are served in time to the correct address
- consider issuing formal instruction to open up or test materials or goods, or remove defective work
- check the construction contracts and ask your client about funding arrangements.

Where there are defects, analyse whether your contract allows your client to engage others, should your instructions about the same be ignored. Ensure you meet any deadlines in such a scenario. This can be an effective strategy, especially if the contract provides that the contractor will be liable for all extra costs incurred by the client in connection with any such engagement.

A composed approach, taking into account the steps above, may not wholly avoid a tricky period for the project. But protecting your client’s position and offering practical advice during this time is unlikely to go unnoticed. You’ll be rewarded, as calm heads are welcome in any team.

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Related competencies include:
Contract administration, Works progress and quality management
Adjudication, expertise, insolvency and liability were among the issues pertinent to construction to come before the courts last year, as the following cases demonstrate.

‘Smash and grab’ adjudication
In S&T (UK) Ltd v Grove Developments Ltd [2018] EWCA Civ 2448, the Court of Appeal upheld the first-instance decision: that a failure to issue a ‘pay less’ notice did not prevent an adjudication on the true value of the interim payment, although payment had to be made first. It has been suggested that this will bring an end to ‘smash and grab’ adjudications, but questions remain about the timing of adjudications and how this would operate in practice.

The role of experts
Many RICS members act as expert witnesses, and the role of experts also came before the courts in 2018. In BDW Trading Ltd v Integral Geotechnique (Wales) Ltd [2018] EWHC 1915 (TCC), the court considered a situation where an expert had sent a draft joint statement to the instructing solicitors and made changes to the second draft following their comments. The court pointed out the limited role solicitors should have in the preparation of joint statements, referring to paragraph 13.6.3 of The Technology and Construction Court guide and paragraph 9 of the Practice Direction to Part 35 of the Civil Procedure Rules, which govern such matters.

The role of independent experts was also discussed in In Imperial Chemical Industries Ltd v Merit Merrell Technology Ltd [2018] EWHC 1577 (TCC), where the court highlighted the importance of experts remaining impartial and not straying into issues of fact and law.

Adjudication and insolvency
As is to be expected, a number of cases concerning adjudication came before the courts and, perhaps in the wake of the Carillion insolvency, there have been a number of decisions looking at parties’ financial position. In Michael J Lonsdale (Electrical) Ltd v Bresco Electrical Services Ltd [2018] EWHC 2043 (TCC) (31 July 2018), the TCC determined that an adjudicator did not have jurisdiction to determine a dispute referred to it by a company in liquidation because the claim included a determination of sums said to be due to the referring party. This reflected the impact of the Insolvency Rules 2016, and would be the same under the 1986 version of those rules.

By contrast, in Premier Construction v Steene (unpublished), permission was granted under the Insolvency Act 1986 to continue with an application for summary judgment to enforce an adjudication award against a debtor whose proposal for an individual voluntary arrangement was pending approval.

Caps on liability
Caps on liability are a useful way to manage risk, but a couple of decisions have highlighted the importance of getting them right. In Cleveland Bridge UK Ltd v Sarens (UK) Ltd [2018] EWHC 751 (TCC), the court had to examine the facts in great detail before deciding that the subcontractor had failed to prove that a cap had been agreed, which meant the difference between exposure to damages of less than £100,000 and exposure to £1m. In Arcadis Consulting (UK) Ltd v AMEC (BCS) Ltd [2018] EWCA 2222, the Court of Appeal reversed the decision of the High Court, and held that although the final agreement was never reached, the interim agreement in a letter of instruction contained a binding cap on liability that protected the consultant.

Conclusions
No doubt the law will continue to change in 2019, and RICS members should keep abreast of any new legal developments. The cases that come before the courts provide both useful lessons on the steps that can sometimes be taken to reduce commercial and legal risks, as well as an indication of the issues affecting the industry.

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Related competencies include:
Contract practice
How to build a long and successful career as a Professional QS

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