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It has been agreed that external practices may use their own bespoke versions of the above forms, conditional that the information conveyed is clear and complete.
1.0 INTRODUCTION

1.1 This system has been developed to ensure a consistency of approach on all projects for the University. It also ensures that sufficient information is provided and that the Design Team maintains full cost control.

1.2 The Lead Consultant has overall responsibility. The Architect, Building Surveyor, Quantity Surveyor, Consulting Services Engineers, Consulting Civil and Structural Engineers shall provide all cost information and advice as appropriate.

1.3 Basic objectives of a good cost control system can be summarised as follows in that:-

1.3.1 It records and controls the commitment of money by identifying and costing items or alternatives while choice is still available and before expenditure is committed.

1.3.2 It provides evidence of client accountability and responsibility for expenditure of money.

1.3.3 Direct and consequential costs are known, to enable informed decisions to be taken.

1.3.4 It ensures that the discipline of the Approved Sum is maintained.

1.3.5 Known and anticipated cost changes are properly and promptly recorded to provide both current cost and estimated final costs.

1.3.6 It informs the client regularly of financial and time status of contract.

1.4 Variations to the work can lead to serious delay and cost escalation, they shall be avoided if possible. The number of variations issued shall be kept to the absolute minimum. Where a variation is justified and unavoidable, alternatives to the issue of the variation should be considered by the Design Team (e.g. carrying out the work after Practical Completion), along with the effect of the variation on programme and cost including claims.

1.5 Savings to offset additional expenditure shall be investigated thoroughly. On traditional projects, full pre-tender design and documentation is deemed to have been carried out viz. the readiness to proceed statement, rendering the need for changes unnecessary, in normal circumstances.

1.6 The cost of variations will be met from contingency sums which are University resources provided in tender and contract documentation to
cover the cost of unforeseeable work (i.e. contingencies) and other unforeseen work arising during construction.

Contingency sums are included in the Approved Sum and may be expended only on the instruction of the Lead Consultant acting within the limits of his delegated authority (see Paragraph 4.2) (e.g. limit on cost and categories of variation which the Lead Consultant may set against contingency sums).

Only in exceptional circumstances will the Approved Sum be increased. Design Teams are expected to complete the project without recourse to additional funds. Variations shall be categorised on both Architects Instructions and Financial Statements into categories listed in Section 3.0. Contingencies shall not be expended on claims unless specifically approved by the University.

1.7 A Draft Instruction Procedure shall be used to ensure control is exercised prior to the issue of formal Architects Instruction (See Annex C).

1.8 Control as the scheme proceeds is essential and this requires the full co-operation of all members of the Design Team.

1.9 Effective cost control will be maintained only if items are costed before instructions are issued. Retrospective costing of instructions leads to a system of cost reporting not Cost Control.

1.10 The general approach required from all disciplines has been outlined separately (see Section 2.0).

2.0 RESPONSIBILITIES

2.1 Generally

2.1.1 To maintain effective cost control of any scheme the Draft Instruction Procedure and the Financial Statement shall be the end result of a multi-disciplinary involvement.

2.1.2 The general duties below, whilst not considered to be exhaustive, highlight the approach required from the various members of the Design Team involved and show where emphasis must lie.

2.2 Project Manager Shall Ensure That:-

2.2.1 He fully understands and complies with the delegated authority laid down in respect of the value of variations he can issue (see Section 4.2).
2.2.2 The initial Approved Sum and Supplementary Approvals are notified to him (see Section 4.1).

2.2.3 All Pro-formas and guidance notes are available to, and understood by, all staff involved.

2.2.4 A Draft Instruction Procedure is undertaken to control expenditure and that cost estimates are being received within the seven day period (see Section 5.0).

2.2.5 He maintains overall control of the scheme both as regards time and cost and ensures that the information produced by other Consultants for onward transmission to the University is current, accurate and comprehensive.

2.3 Architect/Lead Consultant Shall Ensure That:-

2.3.1 He fully understands and complies with the delegated authority laid down in respect of the value of variations he can issue (see Section 4.2).

2.3.2 The initial Approved Sum and Supplementary Approvals are notified to him (see Section 4.1).

2.3.3 All Pro-formas and guidance notes are available to, and understood by, all staff involved.

2.3.4 A Draft Instruction Procedure is undertaken to control expenditure and that cost estimates are being received within the seven-day period (see Section 5.0).

2.3.5 All variations are categorised (see Section 3.0).

2.3.6 All Site Instructions are immediately confirmed by Architect Instructions as required by the Contract and that all PC and Provisional Sums are dealt with as soon as practicable.

2.3.7 The status of all instructions is identified (see Section 3.3 Status of Variations).

2.3.8 He completes the progress to Date and Certification Sections of sheet FS1 of the Financial Statement; agrees it with the Quantity Surveyor and counter signs before dispatch to the Project Manager and/or University.

2.3.9 He maintains overall control of the scheme both as regards time and cost and ensures that the information produced by other Consultants for onward transmission to the Project Manager and/or University is current, accurate and comprehensive.
2.4 **Quantity Surveyor Shall Ensure That:-**

2.4.1 The initial Approved Sum and Supplementary Approvals are notified to him (see Section 4.1).

2.4.2 All pro-formas and guidance notes are available to, and understood by, all staff involved with the scheme.

2.4.3 The seven day period of the Draft Instruction procedure is maintained and that all cost consequences of potential variations are taken into account.

2.4.4 Separate schedules for the agreed categories of variations are maintained and a financial statement is completed for reconciliation with the agreed final account.

2.4.5 Estimated costs previously reported are updated regularly and amendments are included in subsequent statements until agreement of the final account, and any amended figures are identified on later statements.

2.4.6 The Lead Consultants attention is drawn to any outstanding instructions.

2.4.7 The Consulting Services Engineer is requested to produce his own statements for incorporation in the overall Financial Statement by the required dates, and the separate sheets from the engineering statement are incorporated into the correct category.

2.4.8 The Lead Consultant is made aware of any sections which are being remeasured together with likely cost effects.

2.4.9 The Financial Statement contains the most up to date costing information on the contract.

2.4.10 He maintains proper financial records from the outset to enable the Lead Consultant/Architect to exercise overall financial control.

2.5 **Consulting Services Engineer Shall Ensure That:-**

2.5.1 The initial Approved Sum and Supplementary Approval are notified to him (see Section 4.1).

2.5.2 Instructions are not given to the Contractor without the agreement of the Lead Consultant.

2.5.3 All pro-formas and guidance notes are available to, and understood by, all staff involved with the scheme.
2.5.4 The seven day period of Draft Instruction Procedure is maintained and that all cost consequences of potential variations are taken into account.

2.5.5 Separate schedules for the agreed categories of variations are maintained for incorporation in a Financial Statement to be completed for reconciliation with the agreed final account.

2.5.6 Estimated costs previously reported are updated regularly and amendments are included in subsequent statements until agreement of the final account, and any amended figures are identified on later statements.

2.5.7 The Lead Consultants attention is drawn to any outstanding instructions.

2.5.8 The Engineering Financial Statements are prepared, signed and sent to the Quantity Surveyor for incorporation in the overall statement by the agreed dates.

2.5.9 The Engineering Financial Statements contain the most up to date costing information on the subcontracts.

2.5.10 He maintains proper financial records of the subcontracts from the outset to enable the Lead Consultant to exercise overall financial control.

2.5.11 The status of all variations is identified (see Section 3.3 Status of Variations).

2.5.12 The forms are completed listing A.I’s in each category and the Summary form FS2 is completed.

2.6 Consulting Civil and Structural Engineers Shall Ensure That:-

2.6.1 All pro-formas and guidance notes are available to, and understood by, all staff involved with the scheme.

2.6.2 Instructions are not given to the Contractor without the agreement of the Lead Consultant.

2.6.3 Support is given to the Draft Instruction Procedure as appropriate and that input to the Quantity Surveyor is carried out expeditiously to ensure that he seven-day period is adhered to.

2.6.4 He keeps the Lead Consultant fully informed of all changes in respect of the elements under his control as soon as they arise to enable the Lead Consultant to exercise overall financial control.
3.0 CATEGORISATION OF VARIATIONS

3.1 Introduction

3.1.1 The University has agreed a system of categorisation of variations for all schemes.

3.1.2 Variations shall be allocated to a specific category by the initiator prior to the formal issue of an Architects Instruction. Each item on a variation shall be suitably endorsed to indicate the variation category. Any disagreement in the categorisation of a variation shall be referred to the Project Manager for resolution.

3.1.3 Separate schedules for each category of variation shall be maintained and made available for audit/inspection.

3.1.4 All copies of Architects Instructions forwarded to the University shall state the estimated or firm cost of the variation and shall include for all or any consequential costs.

Costs arising out of contractual claims should be identified separately as set out in Clause 6 of this document. Variations are classified as either Approved or Anticipated. Approved variations are those which have received University Approval, or are within the limit of Authority delegated to the Design Team by the Project Manager. Anticipated variations are those awaiting University’s approval, or pending items being discussed by the Design Team.

3.2 Variations Shall Be Categorised Under the Following Headings:-

3.2.1 Category 1 - Design Team Variations

Comprising variations arising from a design change proposed or made by the Design Team including rectification of any mistake or omission in the production information.

3.2.2 Category 2 - Client Variation

Variations which must only be initiated by the University. Authority for their implementation must be obtained from the Project Manager before instructions are issued.

3.2.3 Category 3 - External Factors

E.g. Variations caused by changes in Fire Regulations, Building Regulations, Technical Memoranda etc. since completion of the tender documentation.
3.2.4 Category 4 - Adjustments to Prime Cost Sums

Variations, (normally for inflation) arising on the appointment of a nominated subcontractor/supplier. All sums included in tender documentation are deemed to be at the level of cost prevailing at the date of tender. Subsequent adjustment may be effected by reference to the tender price index or other specialist index as appropriate. This adjustment excludes any adjustments properly incorporated into other categories of the uplift of a PC sum because of under assessment in the tender documentation.

3.2.5 Category 5 - Adjustment of Provisional Sums and Quantities

Adjustments to costs arising from expenditure of provisional sums and amounts for provisional quantities excluding adjustments to be incorporated into other categories.

3.2.6 Category 6 - Ground Conditions

Variations caused by unknown ground conditions.

3.2.7 Category 7 - Other

Variations outside the foregoing categories or items which are awaiting firm allocation. This may only be used for items which after close scrutiny cannot be allocated to categories 1-6.

3.3 Status of Variations

3.3.1 The status of each variation, whether Anticipated or Approved shall be identified by Architect/Engineer and shown on the detail sheet of the Financial Statement in accordance with the following classification.

   a) A.I. issued actual (agreed) cost known.
   b) A.I. issued estimated costs included.
   c) A.I. requiring Project Manager approval (Annex D).
   d) Annex C under discussion with the Design Team.
   e) Annex C not yet issued for discussion.

3.4 Notification of Employer’s Decisions

3.4.1 The University will inform the Project Manager who will then inform the Design Team of all approvals.
4.0 APPROVED SUM/DELEGATED AUTHORITY/DIRECT CONTRACTS/OBTAINING APPROVALS

4.1 Approved Sum

4.1.1 The Approved Sum received from the University will be notified to the Design Team by the Project Manager at the commencement of the Contract.

4.1.2 The initial Approved Sum is calculated by adjustment of the Accepted Tender for Main P.C. Sums, Initial Contract Adjustments and inclusion of the initial Direct Contracts.

Provision: Adjustments to P.C. Sums shall include adjustment of Main Contractor’s profit.

4.1.3 Subsequent amendments to the Approved Sum (additions or omissions) will be notified to the Design Team by the Project Manager immediately after approval is granted by the University.

4.1.4 The Approved Sum is the true sum for cost control of the project and must not be exceeded without prior authority.

4.2 Delegated Authority

4.2.1 The Project Manager will be notified by the University of the limit of his delegated authority at the outset of the project. He will be responsible for agreeing a realistic limit for the Lead Consultant.

4.2.2 The Lead Consultant will be advised by the Project Manager, at the outset of the contract, of the limit of his delegated authority within which variations, additions or omissions may be issued without reference to the Project Manager. The level of this authority may be varied at any time at the discretion of the Project Manager. If no delegated authority limit is advised then it shall be assumed to be £500.

4.2.3 All items above the current limit of the Lead Consultants delegated authority must be approved by the Project Manager, prior to issue (Annex D). Items covered in Clause 4.2.3 are exempted from this procedure. Items above the limit of the Project Manager must be referred to the University.

4.2.4 Any unavoidable variations, arising from the need to rectify structural instability or similar cause may be issued by the Lead Consultant without prior reference to the Project Manager provided the Project Manager is advised of the anticipated financial commitment immediately. This cost must be firmed up as soon as possible.
4.2.5 The full omissions and additions relating to each item shall be entered on the Architects Instruction (Employers copy) together with a statement of any other financial or contractual implications.

4.3 Direct Contracts

4.3.1 Direct Contracts are separate sums of money included in the Approved Sum for expenditure on the direct authority of the University.

4.3.2 The record of expenditure of direct contracts is to be kept independently from the records of the contract works.

4.4 Obtaining Approvals

4.4.1 Approval to variations if required prior to the issue shall be obtained by completing and submitting the attached pro-formas (Annex D) to the Project Manager/University.

4.4.2 Emergency procedures exist for approval to any item likely to cause delay or disruption if instructions are not issued immediately. The Project Manager should be contacted and a decision obtained.

The written procedure outlined in Clause 4.4.1 must then be followed, retrospectively.

4.4.3 Allowance shall be made to the time required to obtain approvals from the University.

5.0 DRAFT INSTRUCTION PROCEDURE

5.1 All proposals for a variation shall be examined prior to issue to ascertain the total cost and time consequences.

5.2 The Lead Consultant is required to obtain cost estimates of all proposed variations prior to a decision on implementation.

5.3 All proposed variations shall be raised in draft form via Annex C for costing and agreement by the other members of the Design Team.

5.4 All drawings/schedule issues, confirmation of instruction etc., shall be covered by the Draft Instruction Procedure.

5.5 Costed Draft Instructions shall be returned to the Lead Consultant within a period of five working days from receipt together with all relevant comment.

5.6 Draft Instructions shall itemise the full omissions and additions relating to each item together with a statement of any other financial or contractual implications.
5.7 Oral agreement shall be confirmed in writing.

5.8 Draft Instructions shall have an independent numbering system.

5.9 This procedure should be undertaken by facsimile or E-mail to facilitate rapid response.

6.0 CONTRACTUAL CLAIMS

6.1 The Financial Statement shall include the following details on claims.

6.1.1 Any contractual claims ascertained reported and approved which will cause the Approved Sum to be increased.

6.1.2 Anticipated claims will include claims notified but not yet approved and claims not yet submitted but anticipated by the Design Team.

7.0 FINANCIAL AND PROGRESS STATEMENTS

7.1 During the currency of the contract statements shall be submitted monthly, coinciding with the interim certificates.

7.2 All statements shall include a complete list of all items whether Approved or Pending.

The practice of bringing forward sub-totals from earlier statements is unacceptable. It is sufficient to identify a variation by a single line entry wherever possible.

7.3 During the Defects Liability Period and until the Final Certificate has been issued, statements shall be submitted quarterly, on dates to be agreed with the Project Manager to maintain updating of the contract commitment whilst the Final Account is being resolved.

The numbering of statements shall be identical for both the overall and the Engineering Statements.

Engineering Statements must be submitted regardless of whether variations have occurred or not during the period.

7.4 Circulation of Statements

7.4.1 Engineering Financial Statements are to be completed by the Consulting Services Engineer who sends it to the Scheme Quantity Surveyor.

7.4.2 The overall statement is to be completed by the Quantity Surveyor, who sends it to the Lead Consultant.
7.4.3 The overall statement is finalised and signed by the Lead Consultant who then sends it to the University and Project Manager.

Copies of the authorised FS1 and FS2 only are sent to the Quantity Surveyor and Consulting Services Engineer.

7.5 Separate Engineering Statements are required for Mechanical, Electrical and Lift subcontracts as appropriate. Discretion can be used, particularly during the early stages of a contract, as to the number of sheets submitted to the Quantity Surveyor, e.g. certain categories of variations may never have an item allocated throughout a contract.

7.6 The Quantity Surveyor shall include a brief statement on progress towards the Final Account within each Financial statement. As a minimum this statement must include percentages figures for the absolute value of variations:

a) Agreed in cost : Issued
b) Agreed in cost : Total
c) Not agreed but under detailed discussion : Issued
d) Not agreed but under detailed discussion : Total

8.0 TRANSFER OF MONIES WITHIN A SINGLE PROJECT

8.1 Principle

8.1.1 The transfer of monies between main contract (Building/Engineering element) and Engineering/Building Subcontractors, or between Subcontractors, or between any main element of the project and any other (e.g. non-works) element, in a single contract shall be allowed, subject to the following:-

No transfer of money which would cause the approved sum for the contract as a whole to be exceeded will be permitted. Normal procedures for seeking approval for additional expenditure should be followed in these circumstances.

No savings which have been expressly required to be made by the University shall be diminished in any transfer money.

No savings which are of a nature such that they should revert to the University (e.g. ‘savings’ arising from the acceptance of quotations lower than P.C. Sums included in the contract or from the omission or deferment of block of work or equipment) shall be involved in any transfer. Use of these savings is subject to the approval of the University.