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BRIEFING

Construction, Economic and Procurement Update - Autumn 2009



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Office of Fair Trading

In September 2009, the Office of Fair Trading (OFT) issued its findings, after research going back to April 2004, when they examined tendering irregularities at Nottingham University Hospitals NHS Trust. 103 Construction firms have now been found guilty and fines have been issued according to assessed levels of guilt. However, “discounts” have been issued to co-operators and whistle-blowers.

At various times in the five years since it all started, the OFT has announced names and pointed fingers and some of the companies involved have been “named and shamed” at different times. In April 2009, there were 112 companies on the list; so 9 companies have been “cleared” in the last 6 months.

The whole episode casts an unflattering shadow on construction at a time when we could do without the bad publicity. The process has been long winded and some rough justice has, in effect, been dished out over the years, because certain contractors have been listed regularly, but eliminated from the final roll call. The misdemeanours must have been serious in places, but it seems wrong that the OFT has conducted a blanket case with numerous defendants, instead of individual prosecutions that you might expect normally under British Law. It has been a mess and is of little credit to anybody.

Looking at the episode from the other side, there is no smoke without fire and there have been massive fines levied against some companies. On my part, I have never been or become aware of any fiddling of tenders, so as to inflate the lowest price. I have though heard rumours of “clubs” of contractors, who find out from a central repository, who were the lowest two or three tenderers, immediately after the event. Apocryphal tales have also been circulated at times, of contractors taking cover prices, because they did not want to price a scheme, or upset the Client.

There are now rumours of companies and local authorities imposing fines or claiming compensation for alleged losses. I’m sure it would be difficult to evaluate the losses, but I hope that the furore caused by this episode is allowed to die down, so that we can get on with “business as usual.” Hopefully, it will not be business as has become normal.

MDA Launches Updated Website

MDA has launched its updated website. Visit it at www.mdaconsulting.co.uk



MDA PROVIDE: COST MANAGEMENT, PROJECT MANAGEMENT, ENGINEERING SERVICES DESIGN, PROJECT MONITORING, SPECIALIST COST CONSULTANCY & CDM CO-ORDINATION

OVERVIEW

MDA Consulting provides professional services to the property and construction industries. We have at the core of our company a culture of innovation, collaboration and most importantly, an understanding of how to fulfil and exceed our client's expectations.

[Read more](#)

LATEST NEWS



Ability Developments (20.09.09)

MDA are continuing to work with Ability Developments on their hotel programme in the UK. Currently four



The Retractable Roof at Wimbledon (19.09.09)

MDA provided the QS services for the prestigious retractable roof project which covers 1,000 tonnes of steel



New Court, Hammersmith (20.09.09)

MDA was involved with the major redevelopment and restoration of two grade II listed residential buildings,



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Tender Price Levels

Tender Price Inflation has continued to fall during 2009 and we assess the UK average annual change at -7.2%. The outlook for 2010 continues to be weak and we are currently forecasting UK tender price inflation at -4.5%.

We anticipate a modest recovery in the market during 2011 and predict a return to positive tender price inflation, albeit at a marginal 0.5%, towards the end of that year. We envisage the market strengthening during 2012 and are currently predicting an annual change in the UK tender price inflation rate of 2.5%.



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Season of Mists...and Cashflow...

One of the long list of worries as the squeeze on cash and borrowing continues its impact into the Autumn, is that old Chestnut, cashflow. Even with glimpses of blue sky and bright sunshine, as the leaves turn and fall, the general view from many quarters is the situation is not likely to ease in the short term. This difficult financial climate puts massive pressure on contractors and their supply chain and those with their hands on the purse strings.

This is very much a two way street and relies on close financial monitoring, coupled with adherence to payment terms to ensure cashflows are maintained at adequate and appropriate levels. On a practical level it is important to carry out monthly valuations for payment in a detailed and precise manner and ensure that all elements that go into an interim valuation and payment are considered very closely. These include.

- Analysis of Preliminaries costs and adjustment to reflect actual progress on site
- Avoiding 'say' figures and including only costs that are substantiated with satisfactory back up
- The process of change control is followed closely to ensure that any valid instructions are priced and incorporated
- That any possible 'Liquidated and Ascertained Damages' that may be applicable are valued and that the Contract Administrator and ultimately the Employer are informed
- Measure and value in detail, using the pricing documentation available
- Provide detailed valuation to the contract administrator of any work which he has informed you is not in accordance with the contract
- Keep the contractor informed so that he can in turn deal with his supply chain

From the employer's side it is critical that the contractor is paid due amounts within the contracted time scales and that if payment is being withheld that he has clear timely notification. Similarly it is important for the employer to be regularly updated on anticipated versus actual monthly commitments throughout the life of the project. Using our eyes and ears, as well as a calculator, the establishment of accurate monthly values is key. A clear process of valuation, certification and payment should be followed and any disagreements and anomalies should be ironed out early.






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e-Procurement



From our humble beginnings of an internal resource producing 100's of tender documents a year, MDA Consulting Ltd (MDA) uniquely provides comprehensive Corporate Support Services, which include

- Knowledge and Information Management System (KIMS)
- Business Management System/Quality Assurance (BMS/QA)
- Research and Development (R&D) and Documentation Production

The Corporate Support Services ensures that MDA provides their Clients with a consistently high quality of service throughout the UK from cradle to grave of a commission.

Over the past few years the Corporate Support Services has assisted in the development of MDA's e-business strategy. This has increasingly seen MDA moving away from the carrying out of their business using traditional 'paper-copy' documentation and communication into the use of a more efficient and acceptable electronic format.

The Corporate Support Services, with their bespoke knowledge, software and hardware packages, can remotely support anyone in the company especially with the administration and facilitation of e-mail, extranet and collaborative website communications that are increasingly being adopted on projects within the construction industry.

Whilst adopting their e-business ethos MDA have been noted for the quality of this 'Added Value' service which enables all recipients to readily read and navigate around the electronic documentation produced from cover to cover without specialist knowledge and software being required.

This Corporate Support Service has been so accepted and recognised by our Clients for the unique quality of product and knowledge of e-business that they have been commissioned directly to provide this service to them.

Clients, either public clients having requirements to procure goods and services on the basis of framework procedure, or private clients wishing to maximise opportunities through the supply chain find great efficiency using the Corporate Support Services.

We can provide:

- E-Tendering Services
- Extranet Hosting
- Multiple tender documentation production
- Tender and procurement support
- Knowledge Information management
- Electronic data exchange
- Online contract drafting



The Retractable Roof at Wimbledon Centre Court

Introduction

The project team involved with the new retractable roof over the Centre Court at Wimbledon gave a collective sigh of relief when the button was pushed and 1,000 tonnes of trusses and lights moved effortlessly into position and 9,000m² of fabric unfolded without a hitch at the showcase Test Event held on 17th May 2009.

That 8 minutes of action was the culmination of 5 years of work on site and a further 2 years of planning before that, but it would be wrong to think that the project works were limited to sticking 10 new trusses on top of 4 new columns. It has also involved the complete demolition and rebuilding of the East Stand, an upgrade of debenture holder facilities in the North Stand, the addition of 6 rows of terracing to the top of the bowl and the construction of a new fixed roof over the spectator seating area. Associated 'minor' works have included a new chiller farm and sub-station complex, a new gatehouse at the main entrance, the upgrading of power supplies to the site and the replacement of most of the 1926 concrete terracing.

The obvious question to ask the QS is "How much did it cost?" and the rather boring answer is that the All England Lawn Tennis Club ("The Club") prefers to keep such information to itself. What we can do is give a general overview of how the project was set up and administered in order to ensure that The Club got good value for its money and that all costs were properly forecast and monitored. Great praise is due to Galliford Try for their expertise in organising the works, Capita Symonds / Edge Structures for the design of the structure and HOK Sport (now Populous) for their worthy attempts to bring some style to what was essentially an engineering project.

Establishment of Early Budgets

The scope of works was known to be complex from the beginning of the design process and every estimate of cost has been based on the measurement of approximate quantities and the application of properly considered unit rates. There has never been a similar scheme built anywhere in the world (there have been moving roofs before but only on new build stadia, never has one been added to an existing 1922 structure) so the use of £/m² rates was never a realistic option. Management Contractor preliminaries and necessary temporary works costs were identified and priced on a time / resource basis, design team fees were agreed at the outset and a suitable allowance made for inflation, all of which culminated in the production in May 2004 of an agreed cost plan based on RIBA Stage D design information.



Pictures courtesy of The Photo Image Unit

Throughout the design phase, alternative design solutions were costed and value engineering seminars held with all changes being properly documented and reported so that whenever the Club was given a revised estimate, it was always accompanied by a narrative to explain the reasons for the change – up or down – from previously reported figures.





- MDA Acted As Cost Consultants

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Control of Budgets During Construction

Of course things change, not least because of the complexity of working in an existing building and the iterative process used to develop the design of the moving roof. Design changes were costed as soon as they were identified using 'Design Change Control Documents' (DCCDs) and allocated either to design development or to Client requested scope changes. This allowed variations in costs to be included in the regular financial reports prepared for The Club's Long Term Plan Department as they had been in the earlier cost planning stages and the reasons for the variations to be identified. Over the course of the construction process there have been over 700 such DCCDs issued.

Procurement of the Works

Having agreed a list of works packages and established a scope of works for each, detailed quantified tender documents were prepared usually based on SMM7 rules but with some exceptions where circumstances demanded. For example, the design of the moving roof components and control system was let on a target cost basis and some specialist works (e.g. supply and installation of the fabric) were let on the basis of detailed quotations. Most of the packages were tendered in competition but where programme constraints were imposed (due to the need to run a tennis tournament every year!) contractors with a proven track record of having performed well on other projects at the site were selected and the measured quantities used as a basis for negotiation. In addition to the packages identified, separate budget allowances were made for general builders work, survey costs, repairs to the existing structure, etc. and allocated to whichever contractor was instructed to carry out the various works as they arose. During the construction process, packages were amalgamated, split, added or deleted as circumstances dictated with the budget for each following the work and being transferred as required.

One key feature of the process was the decision to construct a full size mock up at a remote site near Sheffield in order to test the control systems and truss movements before transferring them to the job site at Wimbledon. This proved to be invaluable as it enabled most of the early teething problems to be resolved without interruption, reduced pressure on the installation programme at Centre Court and significantly reduced disruption to The Club members and local residents. The costs of providing the mock up facility were significant but they were mitigated to a large extent by refurbishing and re-using all of the trusses, motive equipment, components and much of the fabric. Labour expertise was also built up and construction sequencing established in order to make the final installation as efficient as possible, which in turn facilitated a longer testing and commissioning phase.

What Now?

The world does not stand still and with the success of this project now assured, The Club is looking to further improve the Wimbledon experience for members, spectators and players. A new No 2 Court was in use for the first time this year and work on a new No 3 Court and improved Grounds Maintenance Facilities started as soon as the last ball had been hit in July 2009. Although not as high profile as the roof project, these will help to maintain Wimbledon's position as one of the premier sporting venues in the world.

How much is the new Court 3 contract worth?
– Sorry, can't tell you!





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Transport & Infrastructure Works

Local Transport Plans

Local Transport Plans (LTPs) are the building blocks of the Government's integrated transport policy. The Transport Act 2000 made LTPs statutory in order to provide a coherent framework for the provision and delivery of local transport services. This is supported by each local authority producing an Annual Progress Report (APR) which identifies schemes delivered over the previous year etc.

The first LTPs were delivered for the period 2001-2005 and the second LTPs are to cover 2006 to 2011, with in excess of £8 billion of capital funding to be distributed in respect of the second tranche of LTPs.



How MDA Can Help You

MDA has experience gained from many Transport and Infrastructure Projects. From early involvement at Feasibility Stage, Major Scheme Business Case, Major Scheme Programme Entry and through to the Implementation and Delivery stages MDA can provide strategic procurement advice, programme input and cost management services to ensure projects remain on time and budget. MDA produce detailed budget estimates which are then developed into a detailed cost plan to provide a sound financial basis for all aspects of the project. The detailed cost plan will then form many decisions that may include Value Engineering, but is likely to also include decisions on work packaging, programme and procurement.

MDA operates a hands-on approach to project and cost management through all phases of the project with the aim of providing the Client with the highest quality services to ensure the best possible outcome to a project in terms of time, quality and cost.

MDA is currently working alongside Bath and North East Somerset Council's Strategic Transport Team to deliver the Bath Transportation Package (BTP). The BTP is a £54 million package of improvements to the public transport services in and around Bath. The BTP is a major component within the Joint Local Transport Plan that has been drawn up by The West of England Partnership which also includes Bristol City, South Gloucestershire and North Somerset Councils. The West of England Partnership currently has in excess of £170 million allocated to the delivery of a variety of projects including a number of 'major' schemes which include the Bath Transportation Package and the Greater Bristol Bus Network.



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Rebuilding Insurance – Are You Covered?

The risks of under insuring the rebuilding of a property can be a major risk to a business. If a property is found to be under insured at the point of a loss, say through a major fire, the Insurers will only pay pro rata the value. The risk of an under insured building could be catastrophic as a business may not be able to fund any shortfall - resulting in possible delays, major business interruption costs and business viability issues.

It is extremely dangerous to 'guess' the rebuild costs or simply look at a pricing book for an 'average' cost per square metre or rely on what you had in for in the previous year which may have been based on a guess!

The key is to establish a realistic and specific Reinstatement Cost Assessment (RCA) for the property.

It is also important for building owners and landlords to be confident that they are neither paying too much premium which may be passed on as an excessive service charge item to tenants, nor too little resulting in cost shortfalls at the time of loss.

At MDA we are working with Barrett Corp Harrington (BCH), a specialist insurance reinstatement and risk consultancy to provide accurate RCAs coupled with specialist insurance advice.

We approach an RCA on the basis that no building is identical in terms of building cost and therefore each will need a specific assessment. The approach we take is as follows:

- Site inspection and information gathering including obtaining drawings if available
- Record photographs
- Site measurements to verify building size and Gross Floor Area leading to a detailed elemental cost analysis
- Location factors, site constraints and other physical aspects which could impact on rebuild
- Current market factors, which will influence the rebuilding costs
- Establishing which elements of the building are landlord or tenant fixtures and fittings
- Assessment of demolition and site preparation implications
- Professional consultant requirements and assessment of fees
- Planning and statutory impacts such as Listed status or conservation restriction
- Risk review and contingency allowances
- Inflation assessments to arrive at 'Day 1' cost

By approaching the RCA in this manner MDA can give confidence to the building owner and their insurers that their building is adequately insured and in the unfortunate scenario of loss can be focussed on reinstatement rather than embroiled in protracted insurance negotiations which may result in a shortfall.



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