GUIDANCE NOTE

CONSTRUCTION FINANCING REPORTS

V2 OCTOBER 2019

The information provided in this document should be used as general guidance only. It should not be used as a substitute for legal, business, accounting, tax or other professional advice.

NEW ZEALAND INSTITUTE OF QUANTITY SURVEYORS
THE CONSTRUCTION COST SPECIALISTS

New Zealand Institute of Quantity Surveyors (Inc.)

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Acknowledgement

NZIQS acknowledges the Australian Institute of Quantity Surveyors' (AIQS) "Construction Financing Report" as the source for the NZIQS Construction Financing Report. NZIQS appreciates the assistance of AIQS in providing this material to develop the New Zealand version.

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Background

Purpose

The purpose of this Guidance Note is to create a uniform scope of service and clarify the quantity surveyor's role in providing construction cost management services to both the Financier(s) and developer. This Guidance Note does not purport to be a comprehensive description of the law and members should obtain independent legal advice.

Status of Guidance Notes

Guidance Notes are intended to embody recognised 'good practice' and therefore may provide some professional support if properly applied. While they are not mandatory, it is likely that they will serve as a comparative measure of the level of performance of a member.

Application

As part of a debt funding agreement between a developer and financial institution there is often a requirement for a quantity surveyor to represent, review and oversee the financing of a project on behalf of the Financier(s).

The quantity surveyor's role in delivering construction cost management services is to:

- ensure all risks associated with the project are identified and mitigating strategies developed and documented
- assist Financiers with their due diligence process, identifying deficiencies in documentation
- undertake due diligence on behalf of the Financier
- provide accurate and timely financial reporting in accordance with the Financier's instructions
- establish the scope and any limitations associated with this service
- represent the Financier's interest.

The above duties should be listed in the Initial Report.

Typically, an Initial Report and subsequent Progress Reports are undertaken by the quantity surveyor, in accordance with the Financier's instructions. The quantity surveyor is to provide construction financing reports in accordance with this Guidance Note unless the financing institution's instructions (Brief) stipulate otherwise.

The quantity surveyor's reports are to be provided to the appointing financial institution only, unless the financial institution has provided a Release in writing for the report(s) to be made available to third parties.

Pertinent definitions are included at the back of this Guidance Note.

Minimum Requirements of the Quantity Surveyor

Experience

The preparation and delivery of reports to financial institutions, acting as the Financier's representative, should be undertaken by a member of the New Zealand Institute of Quantity Surveyors (NZIQS), holding the designation of Registered Quantity Surveyor (Reg QS).

Any employees undertaking this service must be supervised by a suitably experienced member of MNZIQS membership or above.

Professional Indemnity Insurance Levels

To ensure that appropriate and not excessive levels of professional indemnity insurance are called for, the NZIQS recommend the following levels of coverage:

Construction Cost (excluding GST)	Level of PI
$ 0 - 5m	$250,000 - $1 m
$ 5.01m - $10m	$ 3m
$ 10.01m - $20m	$ 5m
$ 20.01m +	$ 5m and above depending on scale of project

Or as required by the Financier.

Conflicts of Interest

Any conflicts of interest (real, potential, or perceived) such as previous involvement in the project or other services being provided for the developer should be disclosed immediately to the financial institution. These should not necessarily preclude the quantity surveyor from undertaking their role unless they are of a nature which may in practice or in perception prevent the quantity surveyor from acting on behalf of the financial institution in an independent manner.

Limitation of Service

Recognising that while the quantity surveyor is an expert in construction costs, they may not be experts in quality of workmanship or programming. Notwithstanding this, the quantity surveyor should make observations with regards to workmanship and programming based on their level of experience.

It is not the role of the quantity surveyor to provide an opinion pertaining to the value of the site or the expected realisation of the development.

The insurances provided by the parties are to be included in the report, with the quantity surveyor providing comment on the appropriateness or otherwise of these insurances.

Goods and Services Tax (Gst)

In the absence of specific instructions, the quantity surveyor should clarify with the funder whether or not GST should be included in the development of budget.

Initial Report

The initial or prefunding report allows the Financier to verify that the project has been properly established by way of authority approvals, a building contract, project insurances, completeness of design, consultant's professional indemnity insurance, development cost, programme, positioning on title and environmental considerations. By addressing each of these criteria, the initial report allows the Financier to reconcile against conditions precedent to funding.

Executive Summary

The quantity surveyor should provide an overview of the project, identifying any actual and/or potential outstanding issues, risks, problems and any limitations.

Report Identification

The report should identify the project by street address and real property address (Lot & DP or Folio Identifier). It should also list the developer and note that the report has been prepared for a named financial institution and should not be used/relied on by any other party without formal written approval from the named financial institution. The quantity surveyor should identify the source of any information included in the report.

Assumptions and Exclusions

The quantity surveyor should ensure that a comprehensive list of any and all assumptions and exclusions which they rely upon are contained within any report prepared by the quantity surveyor. These items should be reviewed by the Financier in association with the quantity surveyor to ensure that the Financier understands and accepts them.

Limitations of Report

The quantity surveyor's report should be limited to the party for whom it is prepared. The report should not be disclosed to any other party without the quantity surveyor's and Financier's authority and should not be relied upon by another party.

Key issues:

The quantity surveyor should be cognisant of the following:

- the report should be as comprehensive as the information allows. Where there are gaps or contradictions in the information, then this should be noted in the report and brought to the Financier's attention
- for a project with a contract value of less than $10,000,000, the time required by a quantity

surveyor to undertake a report including cost verification and the like where all the information is readily available should take approximately 5 days. For projects of a larger scale, the time-period would be longer

- it is important that the quantity surveyor understands that for them to prepare a comprehensive report efficiently they require all the information in a timely manner. The Financier should also understand that where information is not readily forthcoming, then the time taken to prepare the report may increase (as may the quantity surveyor's fee)
- Disclaimer Clauses and Qualification Statements.

Site Description

A basic written description of the subject site should be provided noting any physical features. This should be based on both a review of available documentation and a site visit.

Key issues:

The quantity surveyor should include notations on:

- description of access, unusual features, is there an existing building, is it opposite a motorway, is the site steep or sloping, what is the land use surrounding the site (e.g. is it in a residential area), is the site contaminated, and the like which could affect the cost of construction
- date of site visit – the quantity surveyor should visit the site for the Initial Report
- the availability of infrastructure services
- any site features that may hinder the efficient delivery of the building.

Project Description

A basic description of the project should be given in the quantity surveyor's report outlining the basic parameters of the project such as areas, number of units, number of storeys, number of car park spaces etc. The level of detail should be enough for anyone reading the report to be able to identify the type, scale and nature of the project.

Key issues:

A good description is critical and should address the following:

- description of the scale of project
- areas – GFA
- function areas
- building Fabric & Finishes
- unit mix (if applicable)
- ingress / egress to the site and building during construction.

Plans and Specifications

Documentation

The documents used to prepare the cost verification and initial report should be listed. If there are a large number of documents, these can be included as an appendix rather than in the body of the report. The quantity surveyor should state whether the documents they used are the same as those that the Builder priced on. Variances between these documents and those used for obtaining approvals should be noted and commented on accordingly.

Any documents used to obtain local authority approvals should be provided including a copy of the stamped set.

Key issues:

The quantity surveyor should:

- comment on completeness of documentation
- note any untried or untested materials
- note any design risk
- note any design documentation and assess consistency.

Design Certification

It is important that the quantity surveyor obtain, and references within the initial report, copies of all relevant Statutory Authority Approvals, including (but not limited to);

- Structural engineers' certification
- Architects' documents in accordance with Statutory Authority approvals
- Architects' documents reflecting pre-sale contracts designs;

and provide confirmation, or otherwise, that the plans contained within any sales documents are consistent with those approved by the relevant council and form the basis upon which the Building Contract is agreed.

Land Surveyor Certification

The quantity surveyor should ensure that the Land Surveyor's Certification:

- confirms site boundaries are defined
- confirms that the proposed development is positioned correctly on site, and there are no encroachments
- confirms that the set-out conforms to/with the planning approval.

Local Authorities and Approvals

The quantity surveyor should review all local authority approvals required in the jurisdiction of the subject property, including (but not limited to) all Development Approvals, Construction Consents, road authority approvals, electricity supply approvals, and local water supply authority approvals etc.

Key issues:

The quantity surveyor should:

- confirm any pre-construction conditions
- include a schedule of all approvals and their details
- note any onerous conditions
- note any statutory commencement and completion dates
- confirm which conditions have been satisfied
- provide planning matrix if available
- confirm Land Surveyor Certification

The quantity surveyor should identify all required local authority approvals, in a format similar to below:

Resource Consent

We have received a copy of the following Resource Consent for the project (refer Appendix __).

(See table 1 - Resource Consent in References, page 17)

OR

There are ___ No. conditions attached to the Resource Consent. We do not believe any of these conditions are unusual for a project of this nature. *If there are any unusual conditions, these must be listed. If any conditions are considered standard but have a cost implication, it is recommended these are also listed.*

OR

We have requested but not yet received the Resource Consent. We will include in our Cost to Complete reports when made available.

Endorsed Drawings

We have received a copy of the following stamped for Approval drawings (refer Appendix __).

- Resource Consent drawings prepared by ____________ dated ________

OR

We have requested but not yet received the Stamped for Approval drawings issued with the Resource Consent. We will include in our Cost to Complete reports when made available.

The Contract documents are generally in line with the Resource Consent.

(If For Consent drawings differ to Contract drawings, make a note).

There have been no changes made to the Resource Consent.

Building Consent

We have received a copy of the following Building

Consent(s) for the project (refer Appendix __).

(See table 2 - Building Consent in References, page 17)

OR

We have requested but not received a copy of the Building Consent. We will attach copy/ies of Building Consent/s as they become available in our monthly Financial Reports.

There have been no changes made to the Building Consent.

In our opinion receipt of a Building Consent should be a condition precedent to the first drawdown.

Plan of Subdivision

We have received a copy of the Plan of Subdivision, and to the best of our review, we believe the Contract documents are in line with the Plan of Subdivision as issued to <insert name of QS company>.

Land Surveyor Certificate

We have received a copy of the Land Surveyor's Certificate identifying:

- boundaries of the land being developed
- location of each building or structure on the land; and
- existing contours of the land.

Certificate of Title

We have received a copy of the Certificate of Title for the site stating ________________ Ltd as the proprietor of the subject property.

Key issues

The quantity surveyor should:

- comment on progress, or site vs consent approval stage
- provide updates on construction cost verification at each Progress Claim.

Total Development Cost
(Including Soft Costs)

In detailing the total development costs, the quantity surveyor should:

- confirm whether or not a Lump Sum Tender Price is in place
- list development costs
- comment on allowances and recommend allowance if applicable
- comment on any 'missing' allowance
- confirm any local government (Council) levies are included
- comment on any government regulatory requirements.

The total development costs, with the identified budget items, should be set out in a tabular format, with the Funding Table to be verified with Financier.

Construction Cost Verification

For a cost verification, the quantity surveyor should undertake an estimate to a level of detail commensurate with the level of detail contained within the Building Contract documents. This should include, where possible, comparisons on a trade basis with the Builder's tender. Any significant variance with the Builder's tender and the construction contract should be highlighted and discussed with the parties. The fees charged should reflect the amount of work required.

Key issues:

In verifying the construction cost, the quantity surveyor should:

- compare the Builder's price with other tenders received – the quantity surveyor should ask to see this if available
- identify any Value Management items included in the Builder's price
- comment on any exclusions in the Builder's tender and should these items be allowed for elsewhere

- compare Contract Sum with other benchmark projects of similar size and nature
- list Prime Cost and Provisional Sums, and comment on appropriateness of allowances
- note any potential budget overruns
- depending on the scale of the project, prepare and include a proper measured and priced estimate (not metre square rates)
- bench mark against similar projects (that the quantity surveyor has worked on) – include a statement addressing how this project compares to projects of a similar size and nature
- identify client supply items and implication to contract.

Contingency

The level of contingency recommended by the quantity surveyor should be determined based on the certainty of the construction cost and related to the quality of the design documents.

Construction/Building Contract, Engineer To The Contract & Insurances

A review of the Construction/Building Contract should be made.

The quantity surveyor should comment on the contents of the Construction/Building Contract(s), including details of the contract sum, parties noted, programme, contract documents, liquidated damages, performance securities provided and any other items likely to be of interest to the financial institution should be noted.

It is important for the quantity surveyor to ensure that the construction documentation being relied upon are fully executed documents. If fully executed documents are not available, then comment to this effect needs to be included in the Initial Report.

Key issues:

The quantity surveyor should:

- note the type of contract and suitability for proposed project
- confirm contract conditions are reasonable and make recommendations where conditions are not reasonable
- comment on risk allocation of latent conditions
- comment on the limited liability of the Builder.

Engineer To The Contract

The Initial Report should identify who the Engineer To The Contract (ETC) is and outline their contractual role.

Key issues:

The quantity surveyor's Initial Report should:

- verify the independence of the ETC
- comment on the ETC's experience
- note any previous experience with the ETC
- include a Conflict of Interest Statement, provided by the ETC, including any past or present relationship with the Builder/contractor
- note any termination clauses and/or conditions.

Insurances

The quantity surveyor should obtain copies of insurances. These insurances should include Professional Indemnity (where there is a design component), Construction All Risk (CAR) and Public Liability insurance. The CAR, Public Liability and Professional Indemnity policies should note the Financier as an interested party.

Key issues:

The quantity surveyor should:

- ensure that the different insurances are listed together detailing; cover, underwriter, broker and expiry date
- confirm that Contracts Work insurance is site specific
- confirm insurances are in line with the Building Contract
- comment on the level of coverage and make recommendation if coverage is inadequate.

Tri-Partite Agreements

The quantity surveyor should request a copy of any Tri-Partite Agreements to identify parties to the agreement, and that the Tri-Partite Agreement(s) conforms with the Building Contract. It is noted that this compliance should generally be undertaken by the Financier's legal team. However, the quantity surveyor should review the Tri-Partite Agreement(s) for technical requirements.

The quantity surveyor should identify their role under any Tri-Partite arrangement.

Developer Capability

The quantity surveyor should identify any level of risk associated with the project developer.

Builder/Contractor Capability

The quantity surveyor should address the Builder's (or principal contractor's) capability to deliver the project.

Key issues:

In addressing the Builder's (or principal contractor's) capability to deliver the project, the quantity surveyor should:

- note the Builder's (or principal contractor's) Performance Security
- note the Builder's (or principal contractor's) capacity to undertake the project in light of existing commitments
- note the Builder's (or principal contractor's) margin
- note the Builder's licence
- comment on the Builder's Work-In-Progress (WIP)
- comment on previous experience with the Builder and provide a list of similar projects completed
- provide commentary around commitments and capability of major sub-contractors
- confirm the Builder's (or principal contractor's) Building Licence
- assess the Builder's (or principal contractor's) allocated construction and management personnel and comment on experience
- note whether the Builder has been subject to any regulatory disciplinary action.

Programme

The quantity surveyor should review and comment on the construction and development Programmes.

The quantity surveyor should also review the Programme with regards to sunset clauses in sales contracts and penalty clauses in lease agreements where possible.

Key issues:

The quantity surveyor should:

- comment on inclement weather allowance
- confirm dates noted are in line with the Building Contract
- confirm dates are achievable when measured against Planning approval commencement and completion dates.

Cashflow

The quantity surveyor should review and comment on the Builder's construction cashflow, particularly how it relates to the development program. The quantity surveyor's report should include:

- an extrapolation of the cashflow against the construction Programme
- their own cashflow and comment on how it compares with the Builder's
- note any anomalies in the Builder's cashflow.

Consultants

All consultants engaged by the developer should be noted. Copies of the professional indemnity insurance policies of the main consultants such as the architect, structural engineer and civil engineer, should be obtained.

If they have not been provided, then a comment to that effect should be made in the initial report.

Key issues:

The quantity surveyor's report should include:

- a schedule of consultants and their professional indemnity insurance, presented in a tabular format
- comment on any experience the quantity surveyor has had with any consultants on previous projects
- comment on the suitability of professional indemnity insurance held by consultants, and confirm if in line with the Building Contract.

Geotechnical Report

The quantity surveyor should obtain and review the Geotechnical Report, noting any conditions that should be taken into account in the engineer's design.

Key issues:

In reviewing the Geotechnical Report, the quantity surveyor should confirm whether:

- the Geotechnical Reports are draft or final
- the structural design reflects any conditions that should be taken into consideration
- the construction cost estimate includes advice noted in reports
- there are overlays (environmental etc)
- there is a likelihood of latent conditions based on the report and experience in surrounding developments.

Environmental Report

The quantity surveyor should confirm whether an Environmental Report is required for Development Approval. If so, this should be reviewed in conjunction with the other design documentation and Statutory Approvals.

The quantity surveyor should note the Environment Report and advise whether there are any contamination issues associated with the development site. If contamination is identified, note if remediation costs have been included in the Development Costs.

Key issues:

In reviewing the Environmental Report, the quantity surveyor should confirm whether:

- the Environmental Reports are draft or final
- the structural design reflects any conditions that should be taken into consideration
- the construction cost estimate includes advice noted in reports
- the estimate includes advice noted in reports
- there are overlays (environmental etc)
- the Planning Approval requires an environmental report
- an Environmental Certificate is required together with any 'completion by' requirements under the planning permit
- provide commentary in respect of any Environmental Management Plan in place or to be implemented.

Commentary on environmental aspects is only to be provided if the Executive Summary identifies any issues, otherwise state that there are no environmental issues or no Environmental Report is available at this time.

Adjacent Properties

The quantity surveyor should review any agreements with adjacent properties, noting any easements and rights of way.

Key issues:

The quantity surveyor should:

- obtain a copy of any adjoining owner's consent
- seek and note any formal legal agreements
- seek and note any protection notices required
- identify and describe any structural support for adjoining properties
- identify potential issues with adjoining owners
- identify environmental considerations which may impact adjoining properties.

Pre-Sales and Agreements For Lease

The quantity surveyor should review and comment on any pro-forma pre-sale agreements and agreements for lease in conjunction with the construction contract. Particular attention should be paid to aspects such as sunset clauses with the Programme and any specifications noted in sales contracts compared to the construction contract. Any variances or issues should be highlighted.

Key issues:

The quantity surveyor should:

- confirm whether the plans and areas contained within the contract(s) conforms to both the plans upon which the Building Contract is based and the Resource and Building Consents
- reconcile contract specifications with pre-sales
- identify any sunset clauses.

Valuer's Report

Where required, a valuer's report should be provided. The quantity surveyor should review this for any comments on quality and materials and compare to the construction documents.

Other Matters

The quantity surveyor should note:

- remote location accessibility issues
- identifiable political issues
- requirement for any Specialised Development Approvals.

Risk Management

The quantity surveyor should:

- subject to any of the foregoing matters in this Guidance Note, identify all potential risks which could affect the delivery of the project
- identify any exclusions forming part of the works which need to be allowed for elsewhere (part of developer's costs).

Report Date

Include the date of the inspection and the date the Initial Report is signed.

Appendices

Append any actual Reports and Certificates received. These could include:

- verification estimate
- list of plans and specifications
- authority approvals issued
- Building Contract
- copies of Performance Bonds or Bank Guarantees as performance security
- Builder's registration
- project insurances certificates of currency
- list of consultants
- certificates of currency of consultant's professional indemnity insurance
- Land Surveyor's certification and plan
- Geotechnical Report
- Environmental Report.

Director/Principal

Quality Assurance within the quantity surveyor's practice should be reported on, including:

- person who prepared the report (should be a Registered QS)
- person who reviewed the report (should be a Registered QS)
- person who signed the report (should be a Registered QS).

Progress Report

Executive Summary

The quantity surveyor should include key matters identified in the Progress Report.

Key issues:

The quantity surveyor should include commentary covering:

- exclusions
- assumptions
- outstanding items
- other significant features included in the Progress Report
- any matter potentially impacting the project.

Report Identification

All QS reports should be referenced and numbered for easy identification. This should also include the date of preparation.

Key issues:

The quantity surveyor should include commentary covering:

- date of issue
- report version
- claim period
- date of Builder's claim
- status of construction
- identity of person preparing the Progress Report
- identity of person who reviewed the Progress Report
- identity of the Director/Manager who signed the Progress Report.

Assumptions and Exclusions

Any assumptions or exclusions, which may present a risk to the Financier, should be listed and reviewed in consultation with the Financier.

Limitations of Report

Any issues which may limit the report should be listed and reviewed in consultation with the Financier. The quantity surveyor should clearly state the limits of the Progress Report so that the Financier can understand the risks contained within the report.

Progress Claims and Drawdown Requests

Progress claims are assessed by the quantity surveyor and the quantity surveyor's certification is the basis of drawdown requests and funding by a Financier. Progress claim assessments should be made in accordance with the facility and drawdown reports made by the quantity surveyor. These should be based on claims by the contractor and development expenditure claimed by the developer.

Key issues:

In undertaking a Progress Claim, the quantity surveyor should:

- note the adjusted contract sum
- identify the value of works completed
- identify any unfixed materials (if permitted by the contract and the Financier for inclusion)
- note the amount previously valued
- assess the current valuation of the Builder's claim
- provide commentary on completion Programme status
- ensure all certificates for completed work have been received
- note the name and contact details of all consultants
- note the date of the site visit.

Progress Payment Certificates

The Project Quantity Surveyor working for the Principal should issue a Progress Payment Recommendation or Certificate and the Financier's QS should issue the Cost To Complete Certificate. In certain instances, both tasks may be undertaken by the same quantity surveyor but with the approval of both the Principal and Financier.

Cost to Complete

Any report on the cost to complete should be based on the premise that the original contractor will be completing the works.

A suitable template for a Cost to Complete Schedule would be as follows:

(See table 3 - Cost to Complete in References, page 17)

Key issues:

The quantity surveyor should provide commentary on inter alia:

- cost of works to complete
- whether there is sufficient funding available to complete the works
- percent of trades let (from the Initial Report)
- any contractor payment confirmations or statutory declarations.

Where the Cost to Complete exceeds the funding facility, the developer will need to provide funding prior to the Financier making any further payments.

Contract Sum Adjustments

Contract Sum Adjustments should be defined as:

1. "Approved Variations" or
2. "Unapproved Variation Claims" or
3. "Potential Variations".

Variations will include provisional sum adjustments.

Key issues:

The quantity surveyor should provide comment on:

- whether the variations exceed the agreed variation thresholds as per the Tri-Partite agreement
- any new approved and pending variations each month
- potential variations
- pending variations
- Provisional Sum Adjustments
- other development work variations.

Off-Site Materials

Off-site materials should only be included with the agreement of the Financier and in compliance with the construction contract. If the Financier agrees to unfixed materials, the quantity surveyor should confirm;

- insurance cover for the value of the goods, with the Financier named as an Interested Party
- any unfixed materials that are identified and included in the contract
- the transfer of ownership of material
- materials are labelled as being the property of the developer
- the goods are appropriately secured
- any undertaking is unconditional, with the Client, Principal and Financier identified as Interested Parties.

If the contract does not address any of these issues, the quantity surveyor should include a note to that effect in the Progress Report.

Contingency

Key issues:

The quantity surveyor should make a note in the Progress Report on:

- amount of contingency used
- whether remaining contingency is sufficient and make recommendation if not sufficient
- percent of Cost to Complete.

Site Observations

This should include an objective statement in respect of the progress of the works with relevant photos. The quantity surveyor may provide commentary with respect to site activity and the quality of the work (including noting any Work Method Statements) and any unsafe work practices.

Programme

A regular review of the Programme should be made and any departures from this should be reported. Particularly, where the departure will lead to a delayed completion which could affect sale contracts or lease agreements.

Key issues:

The Progress Report should include Programme commentary by the quantity surveyor advising:

- time to complete
- forecast Completion Date
- effect on sales contracts and lease agreements
- approved and pending Extension of Time (EoTs)
- adjusted project completion dates
- suitability of revised Programme (if applicable)
- Net Programme and Gross Programme
- contingency or delay allowance to be included in the Programme
- whether the Programme is back-to-back with the contract
- whether the Programme is detailed enough to identify key milestone dates
- actual cashflow against performance.

The quantity surveyor should provide an opinion only, with respect to the forecast Project Completion date (Noting that the quantity surveyor does not hold themselves out as an expert in construction programming).

Where a sub-consultant construction programmer is required to provide commentary on the development Programme and whether the contracted timeframe will be met, the quantity surveyor should make an allowance for such.

Cashflow

Key issues:

The quantity surveyor should:

- comment on how the Builder (or principal contractor) is tracking against their original cashflow
- provide an updated cashflow table (actual and forecast expenditure) including adjustment of variations and provisional sums.

Performance Bond or Bank Guarantee Schedule (Where Required)

Where applicable the quantity surveyor should list the Performance Bond or Bank Guarantees, including:

- Contractors' Security, and
- security for unsecured and offsite material.

Insurances Table

Contractors' and consultants' insurances should be reviewed monthly to ensure that they have not expired. Where they have lapsed, new copies should be obtained prior to issuing a drawdown report.

The types of insurances required include Professional Indemnity / Liability where the contract is a design and build, Public Liability and All Works Contract insurances.

Key issues:

The quantity surveyor's report should:

- identify insurance levels
- note expiry dates
- provide insurances in a table format.

The schedule of insurances for the Builder and any consultants should be reported in the following tabular format:

(See table 4 - Insurances Table in References, page 17)

Licences and Registrations

The quantity surveyor should ensure Licensed Building Practitioners (LBP) registration is current (expiry dates to be identified).

Conformity of Construction Works to Date

The quantity surveyor should obtain a copy of all relevant compliance certificates from consultants, including:

- Building Certificates
- Structural Engineering Certificates
- Civil Engineering Certificates.

Design Compliance (Including Consultant Statement)

Where required by Financiers, this should include a schedule of works compliance, or quality assurance, by way of consultants' statements that works have been completed in accordance with the Building Contract.

Confirmation or Statutory Declaration (For Previously Paid Wages to Employees and Payments to Sub-Contractors and Suppliers)

An appropriate wages and payments confirmation or Statutory Declaration (from authorised company representatives) should be obtained from the contractor, sub-contractors, and suppliers, prior to any drawdown certification being completed.

Should the contractor default on any payments, the Financier may end up having to make the payments to maintain progress on the project.

Key issues:

The quantity surveyor should:

- Obtain a copy of the Builder's Statutory Declaration in respect of this
- Where a construction management agreement is in place, be conscious of the consequences of obtaining tax invoices from all the sub-contractors
- Check that all payments are in compliance with the applicable Construction Contract Act references.

Other Matters

The quantity surveyor should comment on amendments and/or updates to any Tri-Partite Agreements, and advise on any variation thresholds, delays, or extensions of time.

Should the quantity surveyor believe that aspects of the project are outside their area of expertise they should engage appropriate additional assistance including programmers, architects and the like. This is particularly relevant for large complex projects.

Checklist

(See table 5 - Checklist in References, page 17)

Appendices

Append any actual Reports and Certificates received. These could include:

- Payment Certificate
- Local Authority Approvals
- variation summary
- copies of Performance Bonds or Bank Guarantees for off-site materials
- Builder's Programme
- any updated certificates of currency for insurance
- Builder's statutory declaration in respect to payments
- consultant's sign off in respect to the works completed to date.

Notes

Variations

Variations are not always required to be assessed by the quantity surveyor acting as the Financier's representative. Where they are required, the quantity surveyor should ensure they have allowed for this within their fees or covered them by hourly rates.

Variations are usually required to be funded from the contingency and the quantity surveyor should be monitoring the contingencies' expenditure and commitments.

The quantity surveyor should check to see if the threshold of any Tri-Partite Agreement(s) have been met.

Additional Requirements for Builder-Developers and Construction Management Procurement

In the situation where the project is being undertaken by a Builder-Developer or under a construction manager agreement, more rigor is required by the quantity surveyor who should be reviewing the subcontract arrangements and valuing these.

Procurement Schedules and Programme

The quantity surveyor should be cognisant of the provisions of the relevant Construction Contracts Act.

Sub-Contract Insurances

Where a construction management agreement is in place, Public Liability and Contractors All Risk insurances should be obtained from all sub-contractors. It is the construction manager's responsibility to ensure these are on-hand for review by the QS.

References

Table 1 - Resource Consent

Council	Resource Consent No.	Issue Date	Commencement Date	Expiry Date

Table 2 - Building Consent

Consent For	Building Consent No.	Issue Date	Commencement Date	Expiry Date

Table 3 - Cost to Complete

Item	Agreed Budget	Forecast Cost	Expenditure Previous	Expenditure to Date	Expenditure this Month	Cost to Complete

Table 4 - Insurances Table

Insurance Type	Amount Insured	Underwriter	Broker	Expiry Date

Table 5 - Checklist

Item	Date	Person
Site Inspected		
Report Prepared		
Quality & Assurance Checking		
Director Sign-Off		

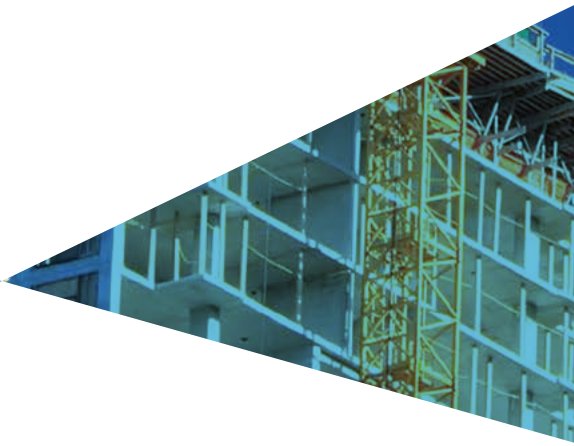
Definitions

Approved Variations	those changes approved and agreed by the Engineer To The Contract under the Building Contract
Building Contract	a contract between an owner or occupier of land and a building contractor setting forth the terms under which construction is to be carried out, basis of remuneration, time scale, and penalties, if any, for failure to comply with terms of the contract
Client	the Developer in undertaking the project by way of the Building Contract, integral with acquired finance from a Financier
Confirmation or Statutory Declarations	a Confirmation or Statutory Declaration that all Main Contractor's employees, subcontractors and suppliers have been paid prior to any draw down certification being completed
Contract Sum	the stated Cost to Complete the works by the Builder under the Building Contract
Contractors Security	provision of a Performance Bond or Bank Guarantees and the like to "secure" performance of a party's obligations. Typically, these are provided by contractors (or subcontractors) "upstream" to assure performance of construction and defects obligations, as well as in circumstances where there has been pre-payment for long lead items or where materials paid for by the principal / head contractor are being stored off-site
Contract Works Insurance	insurance of the works as required under the Building Contract
Engineer To The Contract	the nominated party under the Building Contract to administer the Contract to ensure satisfactory completion of the works
Environmental Certificate	a certificate or statement of environmental audit by an independent auditor in respect to any environment condition and the change in use of the land which is integral with the proposed development
Environmental Report	the site investigation report in respect to any possible contamination or hazardous materials involved with the subject property undertaken by an accredited environmental consultant
Financier	the entity providing funding to the Client which allows the Client to undertake the project to completion
Gross Programme	construction Programme for works including allowances for wet weather and unforeseen circumstances

Initial Report	the first or prefunding report prepared by the quantity surveyor which verifies the proper establishment of the project and deals with authority approvals, Building Contract, Builder capability, insurances, consultants, consultant's professional indemnity insurance, environmental and land surveyor's certification. The report allows the Financier to reconcile these project requirements to conditions precedent to funding
Land Surveyor Certification	a certificate and plan of survey by the Land Surveyor which confirms that the development is properly on the identified property and that there are no encroachments
Latent Conditions	means physical conditions on or below the site and its near surrounds, including artificial things (but excluding weather conditions or physical conditions which are a consequence of weather conditions), which differ materially from the physical conditions which should reasonably have been anticipated by a competent contractor at the time of the Contractor's tender, had a competent contractor inspected: a. all written information made available by the Principal to the Contractor for the purpose of tendering; b. all information influencing the risk allocation in the Contractor's tender and reasonably obtainable by the making of reasonable enquiries; and c. the site and its near surrounds, made available prior to or at the time of tender
Liquidated Damages	the mechanism through which one party can claim monetary compensation for loss or damage that occurs as a result of the other party's failure to deliver the works, goods or services under the contract on time
Nett Programme	construction Programme for works excluding allowances for wet weather and unforeseen circumstances
Overlays	separate planning and development policy and guidelines affecting a property which allow Councils to achieve their desired outcomes, which is integral with a development
Potential Variations	possible variations under the Building Contract which have not been committed to as yet
Prime Costs	specified costs as part of the Building Contract that are net of labour, overheads and profit
Principal	the person/company conducting the business or undertaking, that commissioned the construction project

Definitions *(Continued)*

Progress Payment Certificate	the periodic payment certificate by the Quantity Surveyor or Engineer To The Contract as an assessment of the work completed to date to effect the progress payment to the Builder
Progress Report	this is the ongoing report usually provided monthly by the Quantity Surveyor which allows the Financier to make a funding assessment and to provide funding to the Client. The progress report usually equates to the required payment to the Builder under the Building Contract
Provisional Sum Adjustments	the actual cost adjustments for the defined works against the allowance for that Provisional Sum under the Building Contract
Provisional Sums	specified costs as part of the Building Contract that are inclusive of material, labour, overheads and profit
Release	the Financier's approval in respect to the Initial Report and Progress Report being used by a third party
Soft Costs	those development costs necessary to deliver the development outside the cost of the land and construction costs. These typically include; professional fees, Statutory Authority fees, Council levies, land costs, etc.
Specialised Development Approvals	the specific Development or Planning Approvals issued by the Council to allow the development to be undertaken
Statutory Authority Approvals	all approvals by the relevant authorities necessary to undertake a development. The required approvals encompass development and building approvals together with approvals by utility authorities
Unapproved Variation Claims	those claims made by the Builder in accordance with the Building Contract which have yet to be approved by the Engineer To The Contract
Value Management	the process usually undertaken during the design documentation process which is an effort to effect a more economical design and buildability to reduce the development cost. The process can be undertaken with the Builder as prelude to entering into the Building Contract
Work-In-Progress	the work being conducted by the Builder under the Building Contract to complete the project



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