RICS launches NRM, and QS and construction standards 'Black Book'

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RICS has released new guidance for quantity surveyors and other members working in the construction sector

The RICS guidance includes an updated version of NRM 1 Order of cost estimating and cost planning for capital building works and the new NRM 2 Detailed measurement for building works alongside two new guidance notes looking at conflict avoidance and dispute resolution and retention which will form part of the RICS QS and construction standards or 'Black Book'.

RICS President See Lian Ong spoke at the launch event for the documents alongside the UK Government’s Chief Construction Adviser, Paul Morrell FRICS. Both welcomed the work that had gone into producing the standards and hoped that they would support a range of initiatives including greater cross industry working, the introduction of Building Information Modelling and effectively analysing the costs of construction projects.

Also speaking at the launch event were Stuart Earl, Director at Gleeds and Chair of the RICS Measurement Initiative and Andrew Smith, Director at Laing O’Rourke and Chair of the Black Book Steering Group. They outlined the benefits of the guidance document and how they can help raise standards and improve process in the construction industry.

The New Rules of Measurement (NRM) provide a standardised approach for measurement and cost analysis within construction projects. The new editions update quantity surveying standards and for the first time cover the full costs of a construction project, including not just the cost of a building’s components but also additional costs such as marketing and fees. The new NRM 2 will also replace SMM7 which will be 'switched off' from July 2013.

The construction standards 'black book' is a set of guidance notes which set out the standards by which RICS members are supposed to operate. They are designed to ensure consistency of service for clients by ensuring that quantity surveyors are educated and trained to meet specific standards which are then embedded in their work. The guidance covers a range of issues including e-tendering and cash flow forecasting.

The new guidance has been welcomed by representatives of both developers and contractors who were represented at the launch event. From the property development sector Duncan Trench, Head of Delivery at Development Securities has argued that:

'As a leading developer and investor we welcome and support the RICS’ ongoing commitment towards improving professional services within the property industry. We are at a point in the economic cycle where there are significant demands on all of us to perform with greater efficiency and effect. It is therefore essential to the success of our business that the information we receive is consistent, relevant and transparent. The
NRM and Black Book should help us towards this goal and will be a good point of reference for surveyors developing their professional skills.'

The new standards have also been welcomed by contractors working in the construction industry with Sean Smylie, Director of Legal and Contracts at Shepherd Construction and member of the NRM working group stating that:

'The New Rules of Measurement and the Black Book construction standards demonstrate that RICS is committed to working with others to raise standards in the construction industry. Both sets of documents are the result of a genuinely collaborative cross professional approach drawing in not just RICS members but also contractors’ representatives and other bodies including CIBSE and HVCA. They will provide an important basis for the education and training of RICS members allowing them to provide the high level of service which are essential for them to effectively work alongside contractors to help deliver projects on time, to quality and on budget.'

Speaking on behalf of the Contractors Legal Group, John Bradley, the organisation’s Director suggested that:

'CLG is pleased to have been involved through its contractor member organisations in the work undertaken by the RICS in producing NRM Part 2: Detailed Measurement for Building Works. This will replace the SMM7 with a more wide ranging document which can be used to more fully assess the costs associated with a construction project. This will help deliver more effective working practices in the construction industry for the benefit of clients, contractors and RICS members.'

RICS will be continuing to promote the NRM and construction standards over the next few months and will be working to ensure they are fully embedded within the construction industry. The organisation will also be working to roll the standards out internationally to help ensure global best practice.

James Rowlands is RICS Global Research and Policy Project Manager

RICS new rules of measurement (NRM) 2013

The RICS new rules of measurement (NRM) is a suite of documents issued by the RICS Quantity Surveying and Construction Professional Group to provide a standard set of measurement rules that are understandable by anyone involved in a construction project. Although principally based on UK practice, the need for a coordinated set of rules and underlying philosophy behind NRM has worldwide application.

The NRM suite comprises 3 volumes.

NRM 1: Order of cost estimating and cost planning for capital building works

NRM 1 provides guidance on the quantification of building works for the purpose of preparing cost estimates and cost plans. Direction is also given on quantifying other
construction project costs which are not reflected in the measurable building work items: preliminaries, overheads and profit, project team and design team fees, risk allowances, inflation, and other development and project costs.

NRM 1 enables more effective and accurate cost advice to be given to clients and other project team members, and facilitates better cost control.

Although written primarily for the preparation of order of cost estimates and cost plans, the rules will be invaluable when preparing approximate estimates.

The rules can also be used as a basis for capturing historical cost data in the form required for order of cost estimates and elemental cost plans, thereby completing the ‘cost management cycle’.

The first edition, *NRM: Order of cost estimating and elemental cost planning*, published in February 2009, but several factors prompted a second edition. The opportunity was also taken to simplify and augment certain aspects of the rules. The main changes are:

- the title has changed to the *RICS new rules of measurement: Order of cost estimating and cost planning for capital building works* to distinguish between capital building works and building maintenance works;
- some revisions have been made to the logic and arrangement of the group elements, elements and sub-elements.

The second edition became operative on 1 January 2013.

**NRM 2: Detailed measurement for building works**

NRM 2 provides guidance on the detailed measurement and description of building works for the purpose of obtaining a tender price. The rules address all aspects of bill of quantities (BQ) production, including setting out the information required from the employer and other construction consultants to enable a BQ to be prepared, as well as dealing with the quantification of non-measurable work items, contractor designed works and risks. Guidance is also provided on the content, structure and format of BQ, as well as the benefits and uses of BQ.

While written mainly for the preparation of bill of quantities, quantified schedules of works and quantified work schedules, the rules will be invaluable when designing and developing standard or bespoke schedules of rates.

The rules provide guidance to all those involved in the preparation of BQs, as well as those who wish to be better informed about the purpose, use and benefits of BQs.

The first edition of NRM 2 became operative on 1 January 2013 and replaces the Standard Method of Measurement for Building Works (SMM), its latest version being SMM7.

**NRM 3: Order of cost estimating and cost planning for building maintenance works**
NRM 3 will provide guidance on the quantification and description of maintenance works for preparing initial order of cost estimates during the preparation stages of a building project, cost plans during the design development and pre-construction stages, and detailed, asset-specific cost plans during the pre-construction phases of a building project, and guidance on the procurement and cost control of maintenance works.

The rules will follow the same framework and premise as NRM 1. They will also give direction on how to quantify and measure other items associated with maintenance works, but which are not reflected in the measurable maintenance work items.

NRM 3 is currently under development.
The Berwin Leighton Paisner engineering, construction and procurement group give their views on current developments and share their practical experience.

The new RICS measurement rules
Posted by Berwin Leighton Paisner on 9th May 2012.

John Hughes-D’Aeth, partner, Berwin Leighton Paisner:

I was pleasantly surprised to see a few fellow lawyers at the RICS recently, for the launch of its New Rules of Measurement (NRM) and the accompanying QS & Construction Standards (the Black Book). I had thought this was classic “QS’ing for QSs” territory and that I was the only lawyer sad enough to be remotely interested. Maybe others were tempted by the (as it happens, rather good) free breakfast on offer. Or perhaps the prospect of another rallying call from the Chief Construction Adviser (Paul Morrell) was the big draw.

In any event, I found myself listening to a range of speakers lyricising about how the new rules and standards will change how quantity surveyors operate. It seemed that Nirvana was being revealed to us; a new world of accurate cost estimates, clear and transparent cost data and measurable whole life value. The range of benefits seemed endless: from the basic (updating of SMM7) to the aspirational (alignment with building information modelling, the OGC Gateway process, modern methods of construction, new procurement routes and international reach). Even the token developer was supportive, if only because it allowed him to ask what his QSs really do to justify their fee.

But enough of this cynicism. What is the reality behind the hype? And how might it impact on the lawyer’s role in the construction process?

The new rules and standards

NRM2 (detailed rules of measurement for building works) is probably the least revolutionary element of the new suite. Essentially it is an enhanced update of SMM7, covering not only individual work elements but also the various other price components of a typical building project, such as preliminaries, overheads and profit, design fees, risks and inflation. Unlike SMM7, it also allows scope to create composite descriptions of work items, thus removing the need for the contractor to price large numbers of low value tasks that add little to the overall pricing exercise.

Of more potential value are NRM1 and NRM3. They seek to provide a robust framework for the preparation of cost estimates and cost plans for, respectively, building and maintenance works. Cost estimating has always been something of a black art and the NRM in effect recognises this, by mandating “finger in the air” methods such as floor area (cost per square metre), unit price (for example, cost per bedroom for hotels) or the use of elemental cost plans - with, inevitably, large contingencies built in.
Of course, NRM does not itself provide cost data. It is merely a tool allowing data to be captured and measured in a (more or less) consistent way. However, it at least introduces a degree of discipline and should over time allow a database of historic cost information to be collected, which will then inform future cost plans.

The Black Book is a different creature. It contains guidance on a range of subjects relating to the construction process of which the QS should be aware, from e-tendering and valuing changes to liquidated damages, insurance and dispute resolution. There are currently 11 guidance notes in issue and the RICS envisages that some 50 will ultimately be published. They provide useful checklists for all construction professionals (including lawyers) who are required to advise on these issues, as well as defining the level of knowledge and competence that a client is entitled to expect from his QS.

Relevance to lawyers

Aside from the obvious fact that the *JCT Standard Building Contract, 2011 edition* (SBC11) With Quantities form will need updating to refer to NRM2 rather than SMM7, I imagine the main interest for lawyers in the new publications will lie in the terms on which QCs are appointed in future.

Going forward, it may well be appropriate to oblige the QS to prepare cost estimates and cost plans in accordance with NRM1 and bills of quantities (BQs) (where required - see below) in accordance with NRM2. I would also suggest that, where advice is to be given on aspects covered by the Black Book, the QS should be obliged to follow the Black Book guidance. This should help to provide consistency in areas where, in my experience, poor advice has too often been the norm. I suspect that we will begin to see these obligations appearing in bespoke *professional appointments* before long.

Will clients use NRM2?

The big question is, will clients (and their advisers) choose to use NRM2? In my experience, the use of BQs has fallen seriously out of fashion over the last few years. This may in part be due to the rise of design and build, with contractors preparing quantities to suit their systems (or, in some cases, their pricing strategies) rather than with a view to the systematic collection of pricing data for the benefit of the industry as a whole. However, even on traditionally procured projects, the vast majority of clients these days tend to use the SBC Without Quantities version. Presumably this is because they (or their team) prefer the flexibility of specifications and drawings to the straitjacket of a BQ. It remains to be seen whether NRM2 will succeed in re-converting those preparing tender documents to the benefits of a BQ approach.

Price v (real) cost

My other main issue with the NRM suite is that it does not properly address the third limb of the cost manager’s role, namely cost monitoring during construction. The processes described in NRM1 and NRM2 are all about price estimating and tendering; namely, what a contractor will charge for the task at hand. But price and cost are not the same thing.
To illustrate the point, look at the NEC3 Schedule of Cost Components, which breaks down the cost of a project into its constituent parts (labour, materials, plant, design and so on). In so doing, it attempts to get beyond price to find out what a piece of work really costs. By not explicitly connecting to this “bottom up” approach, NRM has effectively distanced itself from the NEC3-led world of infrastructure and limited its usefulness to building projects. In so doing, it is in danger of perpetuating the old joke that a QS is someone who knows the price of everything and the value (or, in this case, the real cost) of nothing.