PART FOUR: CONSTRUCTION ADMINISTRATION AND MANAGEMENT

SECTION 4: VALUATIONS FOR INTERIM CERTIFICATES

Introduction

Many construction projects require interim payments to be paid to a contractor. This is in order to relieve the contractor of the burden of financing the whole of the works until completion; works which may take many months or years to complete.

The purpose of valuations is to provide advice to the certifier on a construction project (usually the architect) for the issue of interim certificates. The certificates issued by the certifier to the contractor are then presented by the contractor to the employer who pays the contractor on an interim or instalment basis.

Within each contract there will be clauses which set out the criteria under which interim payments will be made, the timing of these payments and the administrative rules under which quantity surveyors, architects, employers and contractors must operate. In many contracts, whilst the completion and calculation of the value is important, the method and procedure of the interim payment which the contractor receives is equally as important.

This section of the handbook provides guidance to surveyors carrying out such valuations.

4.4.1 Valuations

An interim valuation involves a revaluation of the whole work, not the work done since the last certificate was issued. The valuations should be treated almost as 'mini final accounts' as they generally reflect all the matters and items which appear in a final account. Interim valuations may now be subjected to the same scrutiny as final accounts as they may be the subject of adjudication provisions in contracts and per se are required to be compiled with care.

The valuation must be a realistic assessment. A low valuation creates unreasonable financial problems for a contractor whereas a high valuation creates a risk to the employer of paying sums for which he or she obtains no benefit.
The quantity surveyor’s purpose is to assess value as distinct from cost, particularly with reference to prices of certain items, for example temporary works.

The quantity surveyor carrying out the valuation must be aware of the overall position of any valuation within a project; to assess what remains of the anticipated final contract value after each valuation and ensure that within the terms of the contract this will be adequate to complete the works. This action is particularly valid towards the end of the contract.

4.4.2 Assumptions

It has been assumed throughout this section of the handbook that the interim valuation by the quantity surveyor is provided for the benefit of an architect: the person who certifies the amount of the valuation to the employer. Under JCT contracts that person is normally the architect but could be referred to as the contract administrator.

This section has been prepared from the standpoint of a quantity surveyor acting for an employer, assuming normal terms of appointment.

A basic checklist of actions necessary for practicing quantity surveyors is provided below. However, it should be noted that any specific directives within the quantity surveyor’s own organisation (such as those within quality assurance schemes) should supplement this advice.

4.4.2.1 JCT Form of Contracts

Most quantity surveyors carry out interim valuations under a JCT Form of Contract. Therefore, this section is based on the JCT Standard Form of Building Contract With Quantities 1998 (JCT 1998 With Quantities). This contract is only intended for use where the client has engaged a professional consultant to advise on and to administer its terms.

It is recognised that there are differing methods of procurement and differing forms of contract being used. However, the principles set out here will remain valid. Variations required for different contract terms will be noted later.

4.4.2.2 Role of a Quantity Surveyor in Carrying Out Valuations for Interim Payments

This section of the handbook assumes that the quantity surveyor has normal terms of appointment and the relative roles of the quantity surveyor carrying out a valuation for an employer under a normal JCT contract.

The guidance in this section is equally relevant to a quantity surveyor acting for a contractor who will be required to produce valuations in similar circumstances to that of a quantity surveyor acting for an employer.
4.4.2.3 **DEFINITIONS**

**Quantity Surveyor**
This refers to a valuer acting independently for an employer and carrying out a valuation under a JCT 1998 contract. In this section the quantity surveyor may be a quantity surveyor acting for an employer or a quantity surveyor acting for a contractor.

**Architect**
This generally refers to an architect acting for an employer or, if the local authorities version of the JCT contract is used, a contract administrator.

**Employer**
The client as used in JCT 1998.

**Contractor**
In JCT 1998 With or Without Quantities the contractor is assumed to be a main contractor who may be asked to employ nominated sub-contractors or request permission to sub-contract portions of work to domestic sub-contractors.

4.4.2.4 **LEGISLATION**

The requirement to provide stage or interim payments is now contained in the Housing Grants and Reconstruction Act 1996 where it is stated in Section 109 that, ‘A party to a construction contract is entitled to payment by installments, stage payments or other periodic payments for any work…’

Parties to the contract are free to agree the amounts of the payments and the intervals at which, or circumstances in which, they become due.

Section 110 of the Act states that every construction contract shall provide an adequate mechanism for determining what payments become due under the contract and provide for a final date for payment in relation to any sum which becomes due.

Section 111 states that a party to a construction contract may not withhold payment after the final date for payment of a sum due under the contract unless an effective notice of intention to withhold payment has been given.

4.4.3 **Valuation Under a JCT Contract: Background**

The current JCT contract (and the one referred to in this part of the section) is the JCT Standard Form of Building Contract With Quantities 1998 (JCT 1998 With Quantities).

JCT 1998 With Quantities contains the right of the contractor to interim payments at clause 30 (Certificates and Payments). Clause 30.1.1.1 states that, ‘The Architect shall from time to time ... issue Interim Certificates
stating the amount due to the Contractor from the Employer specifying to what the amount relates and the basis on which that amount was calculated.’

Clause 30.1 also sets out a timescale for payment and the right of the contractor to interest if the timescale is not adhered to by the employer.

The employer has to advise the contractor of the amount which he or she is due to be paid and the amount of, and reason for, any deduction to that payment.

Clause 30.1.2.1 states, ‘Interim valuations shall be made by the Quantity Surveyor whenever the Architect considers them to be necessary for the purpose of ascertaining the amount to be stated as due in an Interim Certificate’. Clause 30.1.2.1 allows the contractor to submit an application for payment to the quantity surveyor which should set out what the contractor considers to be the amount of the gross valuation. The quantity surveyor, in response to the contractor’s submission, ‘shall make an interim valuation’. It is essential that the quantity surveyor makes and issues a valuation even if the interim payment calculation is zero.

Under clause 30.1.3 the dates for the first and subsequent interim certificates are set out in the Abstract of the conditions.

Clause 30.2 states how the amounts due in an interim certificate are to be ascertained. It follows that any interim valuation prepared by the quantity surveyor should follow the same method as that for an interim certificate.

In clause 35.13 it is stated that the architect shall direct the contractor as to interim payments to nominated sub-contractors. The ascertainment of amounts due to nominated sub-contractors are calculated in accordance with clause 4.17 of the JCT 1998 Nominated Sub-Contract Conditions (NSC/C).

Clause 4.17 contains step-down provisions similar to clause 30.2 of JCT 1998 With Quantities and the works of nominated sub-contractors are assessed in the same manner as that of the main contractor.

4.4.4 Recommended Action at the Start of a Contract

4.4.4.1 Contract Requirements

(i) Check that the architect requires regular valuations for interim certificates and refer to the contract for the frequency;

(ii) Note whether there are any ad hoc amendments made to the standard form of contract that have a bearing on interim certificates; and

(iii) Prepare a job progress chart and cash flow forecast ready for checking against the value of work completed at successive valuations.
4.4.4.2 **Employer’s Requirements**

(i) Check that the programme of valuations and certificates matches the employer’s programme of payments;

(ii) Confirm the programme of valuations and certificates with the architect; and

(iii) Check whether the employer requires valuations to be built up under various headings.

4.4.4.3 **General Administration**

(i) Obtain a breakdown of preliminaries from the contractor (if not previously supplied);

(ii) Note any adjustments to the contract price made in the summary of the bills of quantities or elsewhere;

(iii) If not already detailed, establish which preliminaries are one-off expenditure items and which are related to time or to value of work done; similarly, with the items in the summary of the bills of quantities;

(iv) Where there are to be fluctuations, refer to 4.4.9.3 of this section; and

(v) Calculations made in the course of the interim valuation should be set out in a clear form and retained for future reference. Any details which are applicable to the final account should be collected together as a running record.

4.4.5 **Communications**

4.4.5.1 **Preliminary Discussions with the Contractor**

(i) Agree with the contractor the programme of valuations decided with the employer, in line with the employer’s arrangements for payment;

(ii) Arrange a procedure for the receipt and verification of invoices, daywork sheets and other supporting information. Remind the contractor that you will be keeping/organising a close watch in the monitoring and checking of daywork and labour returns, and that your own records will be kept. Stipulate that the provision of the contract for submitting daywork records (clause 13.5.4) must be seen as representing the latest permissible time for submission; and

(iii) Agree the basis on which preliminaries and sums in adjustments to the tender (and/or in the correction of errors) will be incorporated into valuations.
4.4.5.2 PRELIMINARY DISCUSSIONS WITH THE CONSULTANTS

(i) Provide the consultants responsible for preparing valuations for specialist work with details of the interim valuations programme and agree deadlines for the consultants submission to you; and

(ii) Arrange with the architect a detailed procedure for recording the contractor’s resources on site. Obtain the architect’s agreement that you set up this procedure, including briefing and controlling the clerk of works in this respect. Remind the architect that he or she (or authorised deputy) has responsibility for verifying daywork.

4.4.5.3 PRELIMINARY DISCUSSIONS WITH THE NOMINATED SUB-CONTRACTORS

(i) Inform the nominated sub-contractors of the valuations programme and make arrangements for the valuation of their work (the evaluation to be made by you, or by the consultant (vetted by you) in the case of specialist work where a specialist consultant is appointed).

4.4.5.4 PRELIMINARY DISCUSSIONS WITH THE CLERK OF WORKS

(i) Impress on the clerk of works (or site engineer or any person to whom the responsibility has been given to record contractor’s resources, time, materials, plant, etc.) that diligence and accuracy in checking on resources used is crucial and that, therefore, he or she must keep a reliable daily record. Inform him or her that you will be visiting the site to make spot checks unannounced;

(ii) Acquaint the clerk of works with the valuation dates programmed. Request that you are notified of all items of work likely to become hidden so that you can ensure that records are made, ready for measurement; and

(iii) Arrange with the clerk of works to receive his or her labour record (which is required for checking wages fluctuations).

4.4.6 Approach

4.4.6.1 METHOD

(i) The method of approach for preparing the valuations should be determined by the quantity surveyor after consideration of all the employer’s, contractor’s and architect’s requirements;

(ii) The format for the valuations will be suited to the particular project, and for measured works, the format of the bills of quantities (for example, separate buildings, elements, trades) may well determine the order of sections that best suits the contract basis (for example, grouping as that required for fluctuations);
(iii) In approaching each valuation, the quantity surveyor should note first in general terms the position of the particular valuation in relation to the overall project and the progress that has been made relative to the forecast of payments; and

(iv) The quantity surveyor should ensure that backup information and documentation which he or she requires from the contractor is available in time for each valuation.

4.4.6.2 CONTRACTOR’S SUBMISSION

(i) The JCT 1998 With Quantities allows the contractor to submit an application for payment to the quantity surveyor;

(ii) The format in which the contractor presents his or her valuation should be agreed in the same manner as detailed earlier in 4.4.5.1 and 4.4.6.1 of this section.

Whilst the format which the contractor uses will, in normal circumstances, be pre-agreed, there is no requirement for the contractor to use an agreed format. However, it is necessary for the quantity surveyor to respond to the contractor’s submission in the same detail as that used by the contractor; and

(iii) The contractor has the opportunity when submitting his or her valuation to include with it all the relevant documentation. Agreement should be made with the contractor at the outset of the contract that he or she must submit this documentation at the same time as his or her valuation.

4.4.6.3 SITE VISIT

(i) It is important (and necessary) to visit the site of the works. First, to assess the overall progress of the works and, secondly, to assess the various aspects of the valuation in detail.

It is also necessary to assess the materials on site for incorporation in the works. The details and quantities should be checked.

4.4.6.4 DETAIL OF VALUATION

(i) It is important to detail the calculations made to assess the interim valuation and to retain these calculations for future reference;

(ii) When the valuation is complete, sufficient calculations should be supplied to the contractor in order for him or her to understand how the valuation was calculated. It is good practice for the contractor to be in attendance when the quantity surveyor is carrying out the valuation so that most of this information will be known to him or her;
(iii) It is important for the contractor to be aware of these calculations, particularly the calculation of the amounts in respect of work which he or she has sub-contracted; and

(iv) If the contractor has made a submission under clause 30.1.2.1 of the contract, the quantity surveyor must respond to the contractor’s submission in the same detail as was supplied by the contractor.

4.4.7 Content of a Valuation

4.4.7.1 A valuation is likely to consist of the following elements (although not all of these elements will be found in every valuation):

Work Executed
- Measured Work
- Approximate Quantities
- Preliminaries
- Sub-Contracts – Nominated
- Sub-Contracts – Domestic
- Suppliers

Variations
Dayworks
Materials – On Site
Materials – Off Site
Fluctuations
Loss and Expense
Special Payments
Deductions

4.4.7.2 WORK EXECUTED

(a) Measured Work

Work under this category relates to work included in the tender documents and, subsequently, the contract as measured either in bills of quantity format or schedules, or descriptions of work items.

Include an assessment of the work properly executed using rates within the bills of quantities. Consider whether an adjustment shall be made to the rates where the item is partially executed, allowing for the location of the work and for inflation if it is a fixed price contract.

This assessment will normally be carried out using rates within the bills of quantities. However, where the item is only partially executed, adjustment to the rates will be necessary having due regard to the location and circumstances of the work.
(b) *Approximate Quantities*

During the construction the quantity surveyor should take regular measurements in respect of work for which there is an approximate quantity in the bills. If measurements are taken regularly, the quantities for these items will be up to date and available for valuations, or to check against the contractor’s submission. The rates for the work are contained in the bills and adjustments made in valuations as described in 4.4.7.2 (a) for partially completed work.

(c) *Preliminaries*

From the detail of preliminaries items (see 4.4.4.3 (i)) include one-off payment items as circumstances dictate.

Assess items which are related to value, including those items which appear in the summary of the bills of quantities.

Assess time-related items in relation to the programme.

Consider adjustments where the contract is behind schedule.

Preliminary items should be further divided into set-up, running and removal costs where appropriate.

(d) *Sub-Contractors – Nominated*

The work carried out by nominated sub-contractors should be assessed in the same way as the main contract works.

The work represented in the categories Measured Work and Approximate Quantities, together with Variations to Special Payments are equally applicable to nominated sub-contracts and should be considered as part of the nominated sub-contract work values. They should not be included with the main contractor’s value headings.

(e) *Sub-Contractors – Domestic*

Under JCT 1998 With Quantities the contractor is permitted to sub-contract with his or her own choice of sub-contractor (defined as domestic sub-contractors in the contract). However, work carried out in a project by domestic sub-contractors may comprise a substantial proportion of the whole of the works. The contractor will provide the quantity surveyor with documentation from the domestic sub-contractor as part of his or her substantiation of the valuation.

The quantity surveyor must ensure that the detail and information provided from this source is in the terms of the main contract and not the values which occur in the contract between the contractor and domestic sub-contractor as these values may be different.
(f) Suppliers

The value of goods on site supplied by nominated suppliers should be included at the rates stated in the nomination. Invoices confirming the values should be obtained and the relevant discounts checked.

4.4.7.3 Variations

It is not possible to cover all the required information on variations within this section. However, the following simple rules should be followed:

(i) Only variations properly instructed under the terms of the contract should be included in a valuation. The valuation of variations is described in clause 13 of the Conditions of Contract.

(ii) For simplicity, variations have been categorised in accordance with the following:
   - Pre agreed – where the variation has been agreed both in terms of content price and time before being instructed.
   - Agreed in terms of price but not in terms of effect on the contract.
   - Instructed to be carried out and to be evaluated in terms of the contract.
   - Items identified by the contractor as variations but not instructed by the architect at the time of valuation.

(iii) All variations should be identified in the quantity surveyor’s valuation in a separate section so that they can be easily identified.

*Items pre-agreed in all facets* – for the purposes of valuations items in this category are easily dealt with by following the rules for valuation under Work Executed. It is relevant to keep the variation items separate even if the work within the variation is the same as that within Measured Work.

*Items agreed in terms of price but not in terms of effect on the contract* – the price for work in this category, having been agreed, can be dealt with as for pre-agreed items. The quantity surveyor has to seek further information from the architect and contractor regarding effect on contract. There may be no easy answer in respect of this item.

*Instructed to be carried out and to be evaluated in terms of the contract* – the variation must be evaluated in terms of the contract (clause 13) and the rules are set out in that clause. The quantity surveyor must seek agreement with the contractor for the way in which any variation is accounted for at an early stage. Remember, the contractor will be seeking to maximise his or her interim recovery in respect of the item until final agreement is reached. In an ongoing situation the contractor will be basing his or her level of recovery on the amount which he or she is having to pay out and for an interim valuation the quantity
surveyor should seek from the contractor the same information, invoices, etc. so that he or she can make a judgement using the same information.

*Contractor's price statement* – an alternative to evaluation of an architect's instruction or of an approximate quantity, which the contractor is free to adopt, is for the contractor to submit a 'price statement' within a prescribed timescale. The contractor's price in this statement must be based on the provisions of clause 13.5 of the contract and then, if the price statement is accepted, when the work related to the instruction is being carried out, appropriate amounts will be included in interim valuations. If the price statement is not accepted, the instruction is evaluated in the normal way.

A price statement may include loss and expense or the price may be accepted without an assessment of the effect on the contract. The quantity surveyor should be aware of the content of any price statement before including it in an interim valuation.

(iv) Clause 13A quotation

When the architect issues a variation instruction it is at the employer's option to ask the contractor to submit a clause 13A quotation on the premise that after a suitable timescale the instruction may not be ratified and thus falls.

If accepted, a clause 13A quotation becomes an instruction with an agreed price for the scope of work represented by that instruction. Care should be taken by the quantity surveyor when including the value or part of the value of the clause 13A quotation in an interim valuation as it may include loss and expense as part of the evaluation of the variation instruction, together with the cost of preparing the quotation.

4.4.7.4 Dayworks

Include dayworks only if they are prepared in accordance with clause 13.5.4 of the contract and verified by the architect.

If dayworks are to be included, check that the percentage additions to prime costs are in accordance with those quoted in the contract documents.

4.4.7.5 Materials – On Site

Include materials on site in accordance with the provisions of clause 30.2.1.2 of the contract.

Value materials at current rates where it is a fixed price contract under clause 38.
Value materials at base rates where it is a fluctuating price contract under clause 39.

Value materials at current rates where it is a fluctuating price contract under clause 40.

### 4.4.7.6 Materials – Off Site

The value of materials or goods intended for the works but stored off site are not included in interim valuations except those which were noted as ‘the listed items’ prior to the contract.

Clause 30.3.1 of the contract states that the property in uniquely identified listed items must be demonstrated by the contractor to the architect to be vested in the contractor.

Where the items listed are not uniquely identified the contractor must provide evidence of vesting.

The means by which the contractor supplies ‘reasonable proof’ of ownership is explained by a special note in the guidance notes which accompanied the publication of Amendment 18 to JCT 80 (see Appendix B of this section of the handbook).

A bond (details of which are set out in Annex 1 to the appendix to the contract) is provided by the contractor if required by the contract.

Clause 30.3.4 sets out the conditions under which the materials are to be stored before payment is included in a valuation.

The quantity surveyor may be asked by the architect to view and assess the materials off site. If so, the quantity surveyor should ensure that all the relevant conditions have been met before including the value of the materials or goods in the interim valuation.

### 4.4.7.7 Fluctuations

Where there are to be fluctuations these should be added as described in 4.4.7.3 of this section of the handbook (or deducted, if appropriate (see 4.4.7.10 (e))).

### 4.4.7.8 Loss and Expense

Loss and expense may be included within an interim valuation. The basis of the loss and expense in a contract must be established before any moneys are included in an interim payment.
4.4.7.9 **SPECIAL PAYMENTS**

Within the terms of the contract there may be other costs which are required to be added into the valuation.

Examples of special payments include:

- Clause 6.2: Statutory fees and charges – fees and charges detailed in this clause shall be added to the contract sum only under the conditions outlined in clause 6.2.
- Clause 8.3: Inspection and tests – the cost for this work, together with making good, is to be added to the contract sum if the tests show that the works or materials being tested are in accordance with the contract.
- Clause 9.2: Royalties – where, in compliance with the architect’s instructions, the contractor is liable to pay royalties or other monies for patent rights, these royalties are added to the contract sum.
- Clause 21.2.1: Insurance – the premiums incurred by the contractor to affect 21.2.1 insurance (which is a joint insurance indemnifying against injury or damage to adjoining buildings which are not the property of the employer) are included in interim valuations.

4.4.7.10 **DEDUCTIONS**

(a) **Retention**

Retention should be deducted from the gross valuation at the rate stated in the contract. The gross valuation is calculated in the total derived in the categories referred to above (Work Executed to Special Payments). Retention is applied in terms of the contract. Clause 30.4 sets out the rules for ascertaining of retention and clause 30.2.1 clarifies the items.

The items described in the categories Work Executed to Materials – Off Site are subject to retention; Fluctuations is generally subject to retention; Loss and Expense is excluded from the retention calculation; and the items detailed in Special Payments (statutory fees and charges) are not subject to retention.

For retention at practical completion or partial possession see 4.4.7.10(c) below.

(b) **Work not properly executed**

The architect should advise the quantity surveyor in writing of work which, although having been carried out, is not in accordance with the contract. The value in the contract for this work should not be included within an interim valuation. The quantity surveyor, when compiling his or her valuation, assumes that all work completed is in accordance with the contract. It therefore follows that he or she must then deduct the value of work which is not.
The quantity surveyor should compile a list of the work and values deducted and include the list with the notes passed to the contractor.

The previous two paragraphs assume that, in deducting for work which is not in accordance with the contract, the work will require to be redone or amended in accordance with the contract. However, under clause 8.4.2 the work not in accordance with the contract may be accepted by the architect and a reduction in value allowed for it. This reduction will be shown as a deduction to the valuation.

In a similar manner, if defects, shrinkages, etc. are not made good, a deduction may be made under clauses 17.2 and 17.3.

(c) *Amounts previously certified*

Although it may be obvious, the amount previously certified should be deducted. It is important to check the amount certified by the architect and not to assume that the amounts within the quantity surveyor’s previous valuation have been used. However, payment to the contractor by the employer as distinct from certification by the architect is a different matter. Payment to the contractor is determined by the employer, and the quantity surveyor should ignore the amounts paid. The quantity surveyor’s valuation should refer to the total value to that proscribed date less the amount certified by the architect.

Retention held at interim valuations is partially released at practical completion of the works and where the employer takes partial possession of part of the works. Clause 30.4.1.3 of the contract refers to this.

(d) *Advance payments*

(*This item does not occur in the local authority version of JCT 1998 With Quantities*)

If an advance payment has been made to the contractor, the amount of the advance will be stated in the appendix to the contract. The amount of the advance will be reimbursed to the employer in the amounts and at the times stated (this is also stated in the appendix).

(e) *Fluctuations*

Where the operation of the fluctuations clauses and the subsequent calculation indicates a reduction, a deduction will have to be made to the valuation.

For additional information please see 4.4.9 below.
(f) **Errors in setting out**

Under clause 7 of the contract, if errors have been made in setting out, these errors may not be amended (at the sole cost to the contractor). A deduction may be made to the contract in lieu.

(g) **Nominated sub-contracts (clause 4.17.3)**

Where work has not been properly executed, as stated in 4.4.7.1(b) above, the rules apply equally to the work of nominated sub-contractors. An appropriate deduction is made but kept separate from that of the main contractor.

4.4.8 **Administration**

4.4.8.1 **GENERAL**

The quantity surveyor should ascertain the way in which the architect requires the valuation and whether any additional explanation and information is to be provided at the time of valuation.

The use of a standard form, such as that issued by the Royal Institution of Chartered Surveyors (RICS) for interim valuations is recommended.

As indicated in 4.4.3 above, under clause 30.1.1.1 of the contract, the architect, when issuing the certificate to the employer, must specify to what the amount of the certificate relates and the basis on which that amount was calculated.

Whilst the same wording is not used in the contract in the context of the quantity surveyor issuing a valuation to the architect, it is prudent for the quantity surveyor to provide additional detail of the valuation to the architect than is required by the contract terms. The architect may well require this additional detail when explaining the content of the certificate to the employer.

One way for the quantity surveyor to achieve this additional detail is for the quantity surveyor to use in his or her advice, a similar format that is used in the example in Appendix C of this guidance.

4.4.8.2 **COVERING LETTER**

When making his or her recommendation for payment, the quantity surveyor should state the basis of his or her calculations in a covering letter to the architect, if not detailed separately (as described in 4.4.6.1 above) or on the valuation form. This covering letter would need to include a statement on the authority for part release of retention and details of defective works not included in the valuation.
In a letter advise the architect whether all the work executed is included in the valuation (the quantity surveyor may have been instructed to exclude specific items). It is prudent to remind the architect that he or she is to adjust the recommended figure if there are further works or unfixed materials that are not acceptable to him or her. The wording of the RICS standard form at note (iii)(a) refers to this point, but it is advisable to mention the matter in the letter.

Where appropriate, advise the architect in respect of matters regarding previous valuations, for example, whether nominated sub-contractors have all received their payments under previous certificates.

### 4.4.9 Special Situations

#### 4.4.9.1 Determination of the Employment of a Contractor or Nominated Sub-Contractor

There are special provisions relating to valuations in the case of a determination of the employment of a contractor (or of a nominated sub-contractor) under the Conditions of Contract.

The detail of the requirements for valuations are to be found in clause 27 of the contract and will depend on the circumstances of the determination.

#### 4.4.9.2 Liquidated Damages

The application of liquidated damages affects payments to the contractor, but it is generally not an element of a valuation which should be included (or amounts deducted) by the quantity surveyor.

Advice to the employer and the architect should include:

- In a contract, where there is a provision for liquidated damages to be applied at the rate included in the contract, the quantity surveyor may be required to advise of the amount of liquidated damages for which the contractor is liable.
- On there being an appropriate certificate issued under clause 24 of the contract, when issuing valuations the quantity surveyor should advise the employer and/or the architect of the amount of liquidated damages for which the contractor is liable and continue to advise thereafter, each time stating the amount.

#### 4.4.9.3 Fluctuations

The contract will state the basis of adjustment: whether there is to be detailed cost recovery (clause 38 or 39) or the use of price adjustment formulae (clause 40). Where detailed cost recovery is to be the basis, check that basic prices of materials goods, electricity and fuels have been agreed. Note any imported
goods which will be subject to currency fluctuations. If fluctuations are to be
dealt with by the price adjustment formulae method, agree with the contractor
the allocation of bill items to categories, as this method requires.

4.4.10 Other Contract Terms (relative to valuations)

4.4.10.1 Prime Cost Sums

Prime cost sums are expended on the written orders of the architect in respect
of nominated sub-contractors or nominated suppliers.

A separate section of the quantity surveyor’s interim valuation should be
created for all work carried out under the expenditure of prime cost sums.

4.4.10.2 Provisional Sums

Provisional sums are expended on the written orders of the architect. The
valuation of work instructed under this method may be dealt with by reference
to the other sections.

A separate section of the quantity surveyor’s interim valuation should be
created for all work carried out under the expenditure of provisional sums.

4.4.10.3 Performance Specified Work

JCT 1998 With Quantities allows for performance specified work which shall
not be carried out by nominated sub-contractors or nominated suppliers.

The contractor is required by the contract to supply an analysis of the portion
of the contract sum to which the performance specified work relates. This
analysis may then be used for interim valuations.

4.4.10.4 Stage Payments

In clause 30.2 the contract allows the parties to agree to stage payments. If
stage payments were included in the contract for all or part of the works, the
values for these parts or sub-portions have been pre-agreed. The stage
payment will be included in valuations when the scope of work to which the
stage payment relates has been completed and so indicated by the architect.

4.4.10.5 Activity Schedule

An activity schedule may be included in the contract. Clause 30.2.1.1 states
how the value of work in an activity schedule is to be included in an interim
valuation.

An example of an activity schedule issued by JCT is included in Appendix C
of this section of the handbook.
4.4.10.6 **Electronic Data Interchange (EDI)**

Annex 2 of the contract allows for an agreement between the parties in respect of the exchange of communications by electronic means. Therefore, interim valuations can be communicated by such means.

The simplest form of electronic communication is by fax machine and the use of this is now widespread. Information is simply reproduced by a fax and the recipient receives a copy. This is useful where invoices and the like require to be transferred.

The transfer of information through computers does not generally provide ‘copies’ of material to the recipient unless the original material was scanned into the computer. When using computers to transfer the valuation, backup care should be exercised where originals or copies of invoices and the like are required to be provided.

The Code of Practice for Electronic Data Interchange states that parties proposing to contract on terms which expressly give administrative or other responsibilities to third parties should not adopt EDI in connection with that contract without the agreement of those third parties.

It would appear to be prudent that when EDI is being set up at the outset of the contract the ‘rules’ for interim valuations should also be set out clearly.

<table>
<thead>
<tr>
<th>4.4.11 Valuations Under Other Forms of Contract</th>
</tr>
</thead>
</table>

The principles and procedures set out in this section for valuations carried out under JCT 1998 With Quantities will largely be pertinent to other forms of JCT contract, together with forms of contract produced by other bodies.

The guidance provided in this section will apply equally to the JCT Without Quantities edition, the Local Authority editions, and these forms used with the sectional completion supplement and with the contractors designed portion supplement.

4.4.11.1 **Other JCT Contracts**

In general terms other JCT contracts will have the principles set out here applied although the detail may be different.

4.4.11.2 **Other Forms of Contract**

Contracts issued by other bodies will, in general terms, have the principles set out here applied although the detail may be different.
Appendix A: Further Reading

JCT. Practice Note 26 ('94) Valuation and Certification for Interim Payments including Variation, RIBA, London, 1994


Appendix B: JCT Definition of ‘Reasonable Proof’

1. Clause 30.3.1 makes it one of the conditions of the inclusion, in the amount stated as due in an Interim Certificate, of the value of what clause 30.3 defines as ‘listed items’ before their delivery to or adjacent to the Works, that the Contractor has provided the Architect with ‘reasonable proof’ that the property (ownership) in the listed items is vested in the Contractor.

2. The Contractor is only required to provide ‘reasonable proof’. Thus if, notwithstanding the provision of such reasonable proof, it transpires that the property in the listed items is not vested in the Contractor the risk of having paid for listed items for which the Contractor cannot give a good title to the Employer is with the Employer. In practice however Employers will only pay pursuant to clause 30.3 if the proof provided of the Contractors ownership is as water-tight as possible.

3. Where the listed items are purchased from a supplier by the Contractor, the Contractor should give the Architect a copy of the written contract of sale applicable to the listed items; and a written statement from the supplier that any conditions in that sale contract that must be fulfilled before the property passes to the Contractor have been fulfilled. The statement of the supplier should also say that the supplier's property in the listed items is not subject to any charge or encumbrance which would prevent the passing of the property unconditionally to the Contractor after fulfilment of all the relevant terms of the sale contract with the Contractor.

4. Where the listed items have been purchased from a supplier by a sub-contractor the Contractor should give the Architect a copy of the written sub-contract with the sub-contractor which should expressly state the conditions that have to be fulfilled before the property in these listed items passes from the sub-contractor to the Contractor; and a written statement from the sub-contractor that any conditions in that sub-contract that must be fulfilled before the property passes to the Contractor have been fulfilled.

5. Where the listed items are manufactured or assembled by any sub-contractor, the Contractor should give the Architect a copy of the written sub-contract with the sub-contractor which should expressly state the conditions that have to be fulfilled before the property in those listed items passes from the sub-contractor to the Contractor; and a written statement from the sub-contractor that any conditions in that sub-contract that must be fulfilled before the property passes to the Contractor have been fulfilled.
### Appendix C: Example of Priced Activity Schedule

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Preliminaries – see breakdown on page 2</td>
<td>170,000.00</td>
</tr>
<tr>
<td>B</td>
<td>Demolition</td>
<td>40,000.00</td>
</tr>
<tr>
<td>C</td>
<td>Substructure including ground floor slab</td>
<td>178,000.00</td>
</tr>
<tr>
<td>D</td>
<td>Structural frame</td>
<td>265,000.00</td>
</tr>
<tr>
<td>E</td>
<td>Upper floor and staircase structures</td>
<td>112,000.00</td>
</tr>
<tr>
<td>F</td>
<td>Roof structure and coverings</td>
<td>58,000.00</td>
</tr>
<tr>
<td>G</td>
<td>External walls</td>
<td>203,000.00</td>
</tr>
<tr>
<td>H</td>
<td>Windows and external doors</td>
<td>102,000.00</td>
</tr>
<tr>
<td>J</td>
<td>Internal walls and doors therein</td>
<td>75,000.00</td>
</tr>
<tr>
<td>K</td>
<td>Partitioning and doors therein</td>
<td>45,000.00</td>
</tr>
<tr>
<td>L</td>
<td>Plasterwork</td>
<td>21,000.00</td>
</tr>
<tr>
<td>M</td>
<td>Screeds</td>
<td>33,000.00</td>
</tr>
<tr>
<td>N</td>
<td>Suspended ceilings</td>
<td>53,000.00</td>
</tr>
<tr>
<td>P</td>
<td>Wall tiling</td>
<td>16,000.00</td>
</tr>
<tr>
<td>Q</td>
<td>Floor tiling</td>
<td>11,000.00</td>
</tr>
<tr>
<td>R</td>
<td>Other floor finishings</td>
<td>64,000.00</td>
</tr>
<tr>
<td>S</td>
<td>Metalwork</td>
<td>30,000.00</td>
</tr>
<tr>
<td>T</td>
<td>Fittings and fixtures</td>
<td>35,000.00</td>
</tr>
<tr>
<td>U</td>
<td>Decorations</td>
<td>12,000.00</td>
</tr>
<tr>
<td>V</td>
<td>Sanitary installation and fittings</td>
<td>48,000.00</td>
</tr>
<tr>
<td>W</td>
<td>Rainwater installation</td>
<td>8,500.00</td>
</tr>
<tr>
<td>X</td>
<td>Mechanical services – see breakdown on page 3</td>
<td>297,000.00</td>
</tr>
<tr>
<td>Y</td>
<td>Electrical services – see breakdown on page 4</td>
<td>222,000.00</td>
</tr>
<tr>
<td>Z</td>
<td>Underground drainage</td>
<td>16,500.00</td>
</tr>
<tr>
<td>AA</td>
<td>External works</td>
<td>75,000.00</td>
</tr>
</tbody>
</table>

£ 2,190,000.00

Note that the above excludes the prime cost sums and profit thereon, provisional sums and provisional quantities.
## Preliminaries breakdown

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Site accommodation (offices, stores, toilets, etc.)</td>
<td>16,000.00</td>
</tr>
<tr>
<td>B</td>
<td>Services (power, lighting, telephones, small plant, rubbish disposal, etc.)</td>
<td>11,000.00</td>
</tr>
<tr>
<td>C</td>
<td>Mechanical plant</td>
<td>8,500.00</td>
</tr>
<tr>
<td>D</td>
<td>Temporary works (roads, walkways, scaffolding, hoardings, etc.)</td>
<td>5,000.00</td>
</tr>
<tr>
<td>E</td>
<td>Management and staff</td>
<td>122,500.00</td>
</tr>
<tr>
<td>F</td>
<td>The contract, etc. (insurance premiums, cost of providing bond, etc.)</td>
<td>7,000.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>£ 170,000.00</strong></td>
</tr>
</tbody>
</table>
### Mechanical Services breakdown

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Heating installation</td>
<td>235,000.00</td>
</tr>
<tr>
<td>B</td>
<td>Hot water installation</td>
<td>6,000.00</td>
</tr>
<tr>
<td>C</td>
<td>Cold water installation including rising main and tank</td>
<td>14,000.00</td>
</tr>
<tr>
<td>D</td>
<td>Gas installation</td>
<td>2,500.00</td>
</tr>
<tr>
<td>E</td>
<td>Mechanical ventilation</td>
<td>25,000.00</td>
</tr>
<tr>
<td>F</td>
<td>Controls and wiring</td>
<td>9,000.00</td>
</tr>
<tr>
<td>G</td>
<td>Testing and commissioning</td>
<td>3,000.00</td>
</tr>
<tr>
<td>H</td>
<td>As installed record drawings</td>
<td>1,500.00</td>
</tr>
<tr>
<td>J</td>
<td>Operation and maintenance manuals</td>
<td>1,000.00</td>
</tr>
</tbody>
</table>

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£ 297,000.00
**Electrical Services breakdown**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Distribution boards, switchgear and sub main cabling</td>
<td>28,000.00</td>
</tr>
<tr>
<td>B</td>
<td>Power installation</td>
<td>72,000.00</td>
</tr>
<tr>
<td>C</td>
<td>Lighting installation including fittings</td>
<td>92,000.00</td>
</tr>
<tr>
<td>D</td>
<td>Fire alarm system</td>
<td>14,500.00</td>
</tr>
<tr>
<td>E</td>
<td>Security system</td>
<td>6,000.00</td>
</tr>
<tr>
<td>F</td>
<td>Earthing and bonding</td>
<td>5,000.00</td>
</tr>
<tr>
<td>G</td>
<td>Testing and certification</td>
<td>2,500.00</td>
</tr>
<tr>
<td>H</td>
<td>As installed record drawings</td>
<td>1,250.00</td>
</tr>
<tr>
<td>J</td>
<td>Operation and maintenance manuals</td>
<td>750.00</td>
</tr>
</tbody>
</table>

£ 222,000.00