



Free Report

How To Make Big Profits From Variations!

7 Key Concepts Which Will Maximise Your Entitlements

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How To Make Big Profits From Variations! 7 Key Concepts Which Will Maximise Your Entitlements

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How To Make Big Profits From Variations! 7 Key Concepts Which Will Maximise Your Entitlements

1 The Importance Of Variations

Key Points

Variations are a golden opportunity to maximise your profits.

Poor management of variations can erode your margin.

Not all contracts are the same. You need to know the rules!

As it says in the opening paragraph of Chapter 8 of “A Brief Contractual Guide for Specialist Sub-Contractors”

“... the most consistent feature in all construction contracts is that at some stage the Employer is going to change his mind about some element of the Works being designed and/or constructed on his behalf.”

You need to be ready to capitalize on the opportunity that variations present to improve the margin that you can make from the project.

Equally, you need to avoid poor management of variations. Because poor management will undoubtedly lead to a significant deterioration in the margin that will be achieved from the project.

As it says in the guide *“The recognition and proper valuation of variations is perhaps the most important factor in the effective management and administration of any organisation involved in the construction and engineering industries.”*

For effective read most profitable!

All of the standard forms of contract (those produced by recognised industry bodies such as the JCT), provide for variations.

Similarly the vast majority of the Contractor’s own bespoke terms you will encounter will provide for variations. However the Contractor’s rules may be much more one sided in their favour, rather than yours.

You must familiarise yourself with the rules set out in the contract. Because not understanding the rules is likely to cause you to spend money that you will be unable to recover.

All contracts are **not** the same! If you do not understand the rules you will suffer at the hands of the Contractor or Client.

If you do not understand the rules you could spend a great deal of time and effort getting nowhere!

As it says in the guide *“The valuation of variations is one of the most contentious areas in the construction and engineering industry...”*

So don't be surprised if you sometimes have problems with variations!

You could argue that if you aren't having trouble getting variations agreed, you aren't asking for enough money for them!

If you do not understand the rules there is a great UK web site exclusively for Specialist Sub-Contractors at Streetwisesubbie.com .

2 You Must Get An Instruction!

Key Points

Why you must get an instruction.

The person instructing you must have the necessary authority.

Not getting an instruction will be fatal to getting paid.

The first and probably most often used barrier for the Contractor or Client to put in your way to prevent you from getting paid is;

“We didn’t instruct you to do that!” or “Where’s your instruction?”

Do not fall into this trap!

If somebody wants you to change something you must get an instruction before you do the work.

Otherwise later on you will find yourself arguing about whether or not you were instructed to do the work..This will be after you have spent your money for their benefit and are then trying to get paid for it!

There is no need for this to become confrontational. Stay cool calm and collected.

If someone has the authority to instruct you to do something, then they should have no problem in giving you instructions.

If someone starts to get excited or annoyed about you wanting an instruction, it may just be that they don’t have authority to instruct you or are simply trying to get you to do something for nothing!

Who Can Instruct You?

The Golden Rules

- Ensure that the person purporting to have authority to issue you with instructions actually has authority to do so!
- Check the terms of the contract and if it is not clear clarify the matter from the outset.

Don’t be shy about clarifying this as failure to do so could prove fatal to your right of recovery!

What Form Should Instructions Take?

Ideally what you want are clear cut written instructions from the person or persons authorised by the contract to give you those instructions.

These may take the form of pre-printed/word processed forms that the organisation giving the instruction utilises. Such forms should make it clear that it is an instruction for you to proceed with the change.

Very often the Contractor or Client may operate in a very haphazard or sloppy way when it issues correspondence or e-mails or drawings. This can lead to the presumption that we are to just get on with what they say, without any particular thought as to whether or not these are proper instructions.

You cannot afford to be sloppy or haphazard.

You need to be clear about whether or not you are being instructed to make changes. If you are in any doubt ask the Contractor or Client to be more specific, or ask them to clarify their requirements and/or confirm whether or not they are actually instructing you to do the work.

Unfortunately Contractors and Clients have a habit of not following their own procedures in respect of issuing instructions. It may be appropriate to raise this with the Contractor or Client, but it is a matter that must be dealt with diplomatically for obvious reasons.

At the end of the day it is up to you to protect your own interests and if you don't get instructions you will find it extremely difficult to overcome the "We didn't instruct you to do it" argument.

Remember you must follow the procedures set out in the contract; so don't be surprised to find them thrown back in your face if you haven't followed them and the Contractor doesn't want to pay.

If you are in any doubt about the terms of the contract you have entered into or are being asked to enter into, you can get lots of free advice and support at Streetwisesubbie.com

3 Verbal Instructions

Key Points

Do not action verbal instructions.

Use a CVI form to confirm verbal instructions.

The person instructing you may not have the necessary authority.

It is also very often the case that the Contractor or Client will give you verbal instructions.

It is an old but nonetheless true statement that

“Verbal instructions aren’t worth the paper they are printed on!”

Do not action verbal instructions!

If you don’t agree with that philosophy, check what the contract says about verbal instructions. Nine hundred and ninety nine times out of a thousand it will say;

“Do not action verbal instructions!”

It might say it in a different way or use different words but that is what it will say. It will certainly mean that if you do action something without instructions you will find it difficult, if not impossible to overcome the first obstacle of

“We didn’t instruct you”.

Let’s assume that we were told verbally by the Contractor’s Foreman that we had to do something and it turned out that he had made a mistake.

Later on when the brown stuff hits the fan do you expect the Foreman to come running up all anxious to confirm that he instructed you to do it? No it’s not very likely is it? It will be even less likely once the Contractor’s QS has pointed out to him what a cock up he has made!

So what should you do to protect our interests?

The answer is simple. Ask for a written instruction. If that is not forthcoming you should have "Confirmation of Verbal Instruction (CVI)" documents that you can use to convert a verbal instruction into a written one.

The CVI Form should have space for you to write out exactly what you are being instructed to do. You can put instructions on the CVI so that whichever member of your team makes out the form, they know exactly what to do.

You should then ask the person who has given you the verbal instruction to sign the CVI and issue them with a copy.

Once again, there is no need for this process to become confrontational. If someone has the authority to instruct you then they will have no problem in signing the CVI.

If someone starts to get excited or annoyed about you asking them to sign it may just be that they don't have authority to instruct you!

Explain politely that you cannot undertake any instructions unless they are received in writing and leave it at that.

If you are having problems with a difficult Contractor or Client, remember that you can get advice and assistance completely free of charge from Streetwisesubie.com.

4 Let's Get Organised!

Key Points

Set up a proper system to track & monitor variations.

Keep all the relevant paperwork together.

Use your own numbering system for ease of reference.

Once you have received proper instructions you need to ensure that you record all instructions irrespective of whether or not they actually constitute variations.

In the case of those instructions which are actually variations then you need to ensure that the variation is properly recorded, measured and valued and can be easily tracked through the process of submission, agreement, and incorporation into your applications and ultimately paid for.

Irrespective of which member of your team receives the instruction you need to ensure that it is copied to all the right members of your team.

For instance, if they are received first by the Project Manager they should be immediately copied to the Site Foreman and the Commercial Manager.

In other words all the people who need to know, should know, at the earliest possible opportunity that an instruction has been issued.

Set Up A Proper System For Recording And Tracking Each Individual Instruction

You should have a section in your Standard Filing System for filing all instructions and confirmation of verbal instructions.

Each instruction should be given its own section and you should ensure that these sections are uniquely numbered in accordance with your own unique numbering system.

Your numbering system is exactly that, your numbering system and does not need to correspond to the Contractor or Client's system.

Thus your numbering system starts at "SCT VO 1" and runs through sequentially to "SCT VO [n]".

Each individual variation should be allocated a sub-section or divider within the Variations section of the file. So your "SCT VO 37" may contain "Contractor's Instruction No 1056" and "Architects Instruction 2.17" both of which refer to the same variation to your works.

Provided that you have allocated your numbers sequentially and you recognise that individual change by way of "SCT VO 37" you can capture all the information relative to that variation irrespective of whatever number or reference anyone else may allocate to it.

In any event each party's references can and should be cross referenced in all submissions made in respect of variations.

For ease of use and speed of reference all documents relevant to each particular variation should be contained within the individual divider or sub-section, even if that means copying the same instruction or correspondence a number of times.

One letter or instruction from the Contractor/Client may refer to several different variations. But it will be easier for anyone accessing the file to immediately find all the information relating to that particular variation in that section.

You can find lots of useful information relating to systems and procedures to make your life easier at Streetwisesubbie.com.

5 Measuring And Pricing Variations

Key Points

Don't try and prove something that isn't true. Even the dumbest Contractors can measure and count!

The schedule of rates is only the starting point.

This is your golden opportunity to substantially increase your return from variations.

There is no point in attempting to prove something which is in fact not true!

Surprisingly even the dumbest Contractors can count and measure!

There are better ways to maximise your entitlements e.g. by legitimately claiming for all the relevant additional man hours, price increases, lost time, administration, supervision, design and engineering time etc., relevant to each particular variation.

Most standard forms of contract refer to the valuation of variations in accordance with a Schedule of Rates.

However most standard forms also contain provisions for revising those rates in the event that the varied work is carried out under different conditions or is of a different character to that set out and/or described in the original contract documents.

The Schedule of Rates should therefore only be regarded as a starting point and the rates should not be applied automatically without any regard as to whether or not the rates should be adjusted to make "a fair allowance" for the change in character or conditions.

The process by which the variation should be measured and valued is as follows

1. Assemble all the information relevant to the instruction/variation including drawings, schedules and/or other documents.
2. Carry out a take off of the physical changes from the relevant drawings or schedules and/or
3. Identify reasons why the work is not of similar character or being carried out under similar conditions to that set out in the original contract and/or
4. Establish all relevant details of the change to be priced if it does not relate to physical works and

5. Identify all the relevant additional administration, supervision, design and engineering time so that the rates can be adjusted to make “a fair allowance” for the change in character or conditions.
6. Apply the adjusted rates to the quantities established under 2 above or
7. Apply the rates to the quantities established under 2 above and produce a separate priced summary of the relevant additional administration, supervision, design and engineering time and/or
8. Price the change to be priced if it does not relate to physical works and
9. Produce a total price for the variation

If this seems like a time consuming process it is! But trust me you can use this to **substantially increase your recovery** from variations.

You will also make it easier to press home your entitlement to a proper valuation.

If you would like some professional advice about maximising the value of your variation account you can get some entirely free of charge by using Streetwisesubbie.com .

6 Submitting Variations

Key Points

Submit your variations as soon as possible.

Use the procedures in the contract and always add variations into your interim applications.

Start your Draft Final Account from day one and revise it with every interim application.

Once the variation has been properly valued it should be immediately submitted to the Contractor or Client.

Your objective is to ensure that the priced variation is submitted as soon as possible. The sooner you make the Contractor or Client aware of the amount of money you are expecting to be paid the better.

Do not under estimate the common sense logic behind this drive to submit accurate financial details at the earliest possible opportunity. Contrary to popular belief Contractors and Clients do not have an endless supply of money to spend!

Your submissions have to be made in accordance with any procedures set out in the contract. You need to check the contract.

The Contractor or the Client may also have a preferred way of dealing with such matters. Provided that it is not detrimental to your interests then you should try to comply.

Getting Paid For The Variation

Submitting properly conceived and accurately priced financial details, properly supported by instructions and any other information required, is the first step in getting paid.

Not only should you submit accurate financial details as soon as possible, but you should also include claims for work undertaken in respect of variations into your Interim Applications or Invoices at the earliest possible opportunity.

Draft Final Accounts

Your monthly applications should be set up in such a way as to produce an ongoing Draft Final Account. In other words it should be readily apparent from the monthly application what the total ongoing contract value is going to be.

If necessary, where you have not yet produced accurate variation costings, you may choose to include budget prices for individual variations into the monthly applications.

However, whilst budget pricing has the advantage of early notification and possibly even a payment on account it also has certain disadvantages.

Budget prices may;

- take almost as much time as accurate costing
- lead you to think we have done more of the justification than we actually have
- make you sloppy or lazy
- be inaccurate and lead to problems as a result
(worst case scenario the accurate price is much higher than the budget)

One of your key objectives should be to reach agreement with the Contractor or Client on the valuation of variations as soon as possible. Do not be shy about getting this process underway as soon as possible.

This process needs to be approached professionally and with a certain degree of assertiveness. You may need to be the one doing the pressing to get meetings arranged with the relevant people etc.

And you will almost certainly be the one responsible for putting your variation account together even if the contract says it is the Contractors responsibility to value variations!

Try and agree matters of presentation and detail at the earliest possible opportunity. Provided that it is not detrimental to your entitlement you should have a flexible approach to presentation.

If you have genuinely made every effort to move things along but you aren't making progress towards reaching agreement then you should take action. Do not allow matters to drag on. The agreement process rarely improves the longer it is left!

You may need to involve more senior members of your team and/or their team to move things along. If things still aren't getting resolved then you may need to bring even more pressure to bear.

If you are having problems getting paid for variations check out the advice you can get via Streetwisesubbie.com to unlock payment **absolutely free of charge!**

7 Daywork

Key Points

Not all additions can be valued by measurement.

Know what can and can't be included in dayworks.

Get your daywork sheets signed.

Daywork should be used to value work carried out as a variation where that work cannot properly be valued by measurement.

Check carefully to see what, if any, procedures, rules or express provisions are contained in the contract relating to daywork.

The following are general guidelines:-

Daywork sheets should record each operative by name, grade, and the hours spent on a daily basis.

The time spent should be as accurate as possible. Attempts to increase hours may be easily discovered. Conversely the time recorded on daywork needs to be the actual time taken.

Some operatives may misguidedly think that they can't put down how long it actually took to do a job for fear of being considered slow!

Some jobs do take a lot longer than expected for a variety of reasons. Provided that it is factual, and there is sufficient reason stated on the daywork to substantiate the time taken, then you should always seek to recover the actual time taken, even if it may seem "excessive" to whoever is going to have to pay for it.

The actual time 'starts' from when the operative 'stops' doing whatever it was he was doing prior to being instructed to do the daywork. Therefore the time should include any time spent setting up and clearing up.

Daywork sheets should be authorised by someone in a position to verify that the resources identified on the sheet have in fact been used to carry out the work described.

The addition of the words 'for record purposes only' by the person signing the sheet, should not concern you. That is exactly what the daywork sheet is, a contemporaneous record of the facts.

The act of signing the daywork sheet does not ordinarily create an entitlement to payment or an intention to make payment, but it is essential that sheets are signed.

If the Contractor/Client refuses to sign daywork sheets then there is a problem that needs to be resolved. Take action.

Ordinarily the rates used to price the daywork will be prime cost rates to which an agreed percentage is added.

The percentages and the applicable definition of prime cost should have been agreed when we entered into the contract. If it has not been agreed then you should liaise with the Contractor/Client in order to reach agreement as soon as possible.

Daywork sheets should be uniquely numbered and submitted under cover of a written record so that no argument can be advanced as to when records were issued.

If you do not understand the rules relating to dayworks you can use Streetwisesubbie.com to get answers free of charge.

8 Bonus Section – Lots More Useful Information

Key Points

As a Specialist Sub-Contractor you now have some fantastic resources at your disposal courtesy of Streetwisesubbie.com.

Designed for the benefit of all Specialist Sub-Contractors in the construction and engineering industries.

Quick, easy and FREE to access!

In addition to your Free Report you can find lots more useful information and resources *exclusively* for Specialist Sub-Contractors at www.streetwisesubbie.com

Streetwisesubbie.com is a new and exciting web based resource and it's free to register!

What's So Exciting About It?

For a start, it's been designed specifically for the benefit of all Specialist Sub-Contractors from the construction and engineering industries, irrespective of size or specialisation.

Secondly, **there is nothing like it** anywhere else!

Not even the best trade associations offer such a fantastic range of on-line and off line services designed to help you to get paid quickly, resolve problems easily, increase your profitability and reduce your risk.

And that's not to mention the training resources, the free documents, or the Virtual Team of 17 experts that are on hand to **answer any conceivable question** about your business!

Why Do I Need It?

Specialist Sub-Contracting can be a tough and demanding business to be in. I should know, after all I spent 20 years in Specialist Sub-Contracting and for the last 20 years I have provided professional services to construction and engineering sub-contractors.

I appreciate that sub-contracting is not all bad news but...

What if it could be better?

- What if it could be a whole lot better?
- What if you could **make a whole lot more money**?
- What if you could have less stress and aggravation?
- What if you could have loads of really useful information at your fingertips?
- What if you had a whole team of experts to help whenever you need them?
- Well now you do because Streetwise and his Virtual Team are on your team!

So no matter how well things are going at the moment we might just be able to help you make them even better, and as **you never know** what problems might be lurking around the corner, we can help you to stay out of harms way.

What's It All About?

Streetwisesubbie.com is a web based resource centre with a whole host of on-line and off line resources. Resources which will help you to;

- Increase your order book
- Make more money out of the jobs you already have
- Protect your commercial interests
- Reduce your contractual risks
- Get paid on time
- Recruit and train your staff and your workforce

Here's what some of our Buddies have said about us;

"We can find stuff here that you just don't seem to find anywhere else"

Mr J S Marshall Cirrus New Milton Hampshire

"Easy access to advice when I need it and it's easy for staff to find what they didn't want to admit they didn't know"

Mr M D Hartley Argus Fire Protection Cannock

"A kind of club for like minded individuals. Very relevant to our business."

Mr R Bedford HAS Electrical Contractors Southampton

Remember - All Specialist Sub-Contractors from the construction and engineering industries are welcome but **Contractors are definitely banned!**

"The most informative and practical web based resource for Specialist Sub-Contractors in the construction and engineering industries, irrespective of size or specialisation"

Let's get Streetwise!

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