

Reflections of a Chartered Quantity Surveyor on Challenges Facing the Construction and Insurance Sectors in 2022

By Chris Reeves, Head of Quantity Surveying Services (creeves@globalrisksolutions.com)

Attending the RICS¹ Quantity Surveying and Construction Conference in London last month provided an opportunity to reflect on several topics affecting both the construction and insurance industries. These include digitalisation, net zero (including Carbon Assessments), Inflation and the future role of the QS.

The future role of the QS – Competence, Data, Net Zero and Carbon

Most projects still go over budget and QSs are not able to do their jobs correctly if they base pricing assessments on incomplete data. There is a need to return to good professional practices and avoid being overly influenced by commercial factors; in some cases, it may be necessary to walk away from work to ensure the appropriate standards are applied.

The QS world is evolving. Technology is very much at the fore. Indeed, all professions face pressure to offer a range of innovative, value-added services and provide solutions to clients facing rapid change and increasing competition in the world market.

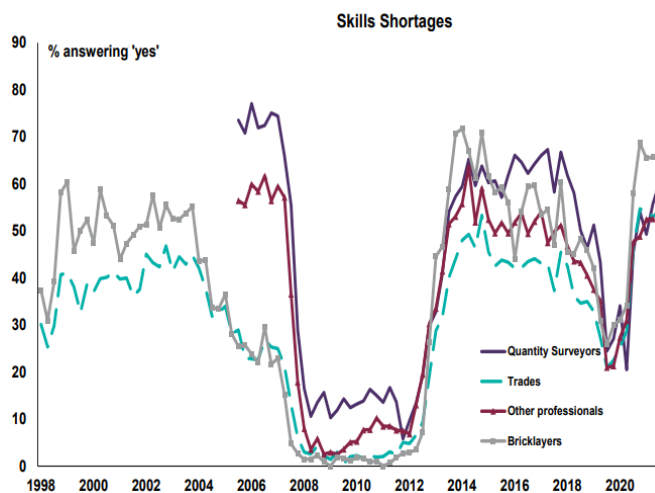


Figure 1. Q2 2022: RICS UK Construction and Infrastructure Monitor

With a shortage of qualified Quantity Surveyors, there is very much a demand for talent. The construction market despite making gains is still facing challenges.

Data is becoming far more interactive, and QSs need to understand and proactively manage cost and quantum data within projects and contractual claims. Digital twins are becoming more accessible and 5D BIM is a desired element alongside 3D (Design) and 4D (Schedule / Programme).

The typical perception of the role of just 'counting bricks' is outdated. Intelligent live data is key to ensuring projects maintain progress and interactivity. QSs must ensure they can

demonstrate competence by using the RICS Professional Statement on Cost Prediction (2020) and ICMS (International Cost Management Standards 2021).

Digital twins: These are virtual representations of projects, often based on real-time data and expert decision support tools.

There is a huge push, especially in the public sector, for digital twins and surveyors need to embrace these tools to ensure they can contribute positively to the digital data environment.



Figure 2: Digital Twin - Autodesk

¹ Royal Institution of Chartered Surveyors (www.rics.org.uk)

Digitisation is also prevalent in the insurance sector, as insurers seek to benefit from historic and live data to inform underwriting risk pricing, and claims reserving and assessment.

Net Zero: Is one of the current buzzwords of the wider industry. It is a challenge that needs to be met by all stakeholders in the construction and insurance industries. Considering whole life carbon is encouraging innovation, such as an increasing trend towards offsite construction. It does come with new risks and opportunities that owners and insurers will need to consider, with the help of professionals – such as a Chartered QS!

The QS' evolving role: Generally, QS are well placed to assess and quantify carbon as part of their role. Indeed, it is important this is publicised. BCIS is launching a free carbon stat base (BECD) by the end of the year that aims to build data to match the BCIS cost database.

Construction Market Environment: The construction industry market productivity is still lagging significantly behind the main market economy. To address this, the sector needs a greater adoption of digitisation throughout the supply chain, while addressing the concomitant risks and opportunities around these. Addressing the productivity challenge will become even more important if the economy does indeed slip into recession.

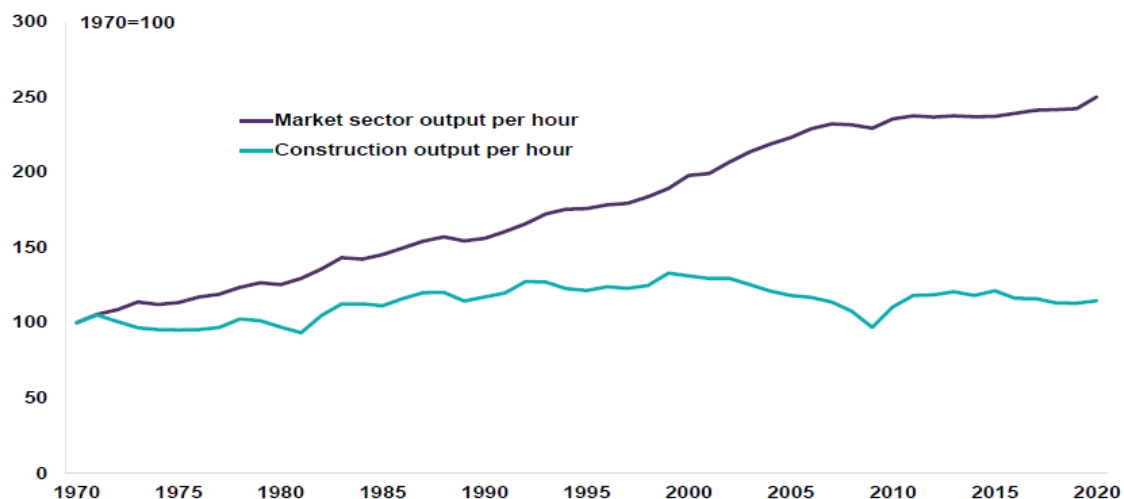


Figure 3. RICS UK Market Economy and Construction Productivity Growth

Based on provisional results from the Q2 RICS survey, workload expectations across the industry remain upbeat despite the challenges. However, there are warning signs: insolvencies across the sector are rising with a year-on-year increase from July 2021 to 2022 of 72%². The expectations for profit margins are also turning negative. These are trends that insureds and insurers should be cognisant of.

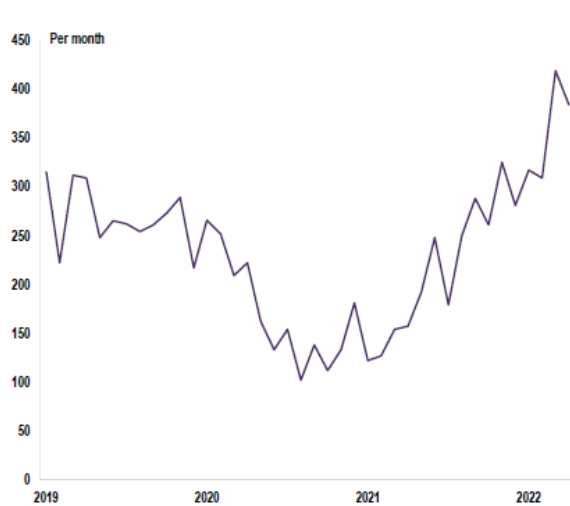


Figure 4. Construction Insolvencies

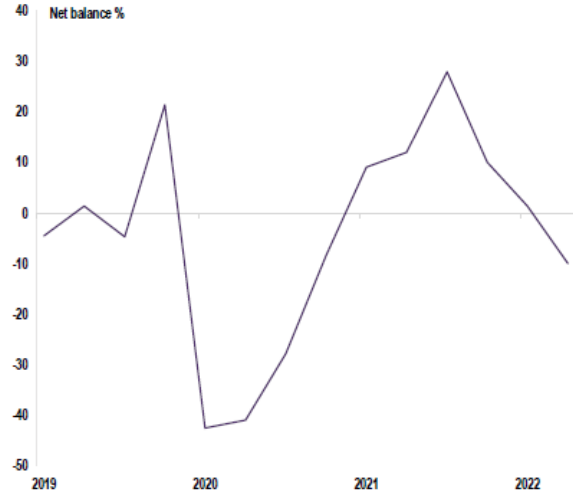


Figure 5. RICS Construction Monitor 2Q 2022

There is also a need for the sectors' stakeholders to consider technologies such as blockchain, smart contracts and Non-Fungible Tokens (NFTs). These can enhance and create efficiencies but, again, these might create new risks that warrant consideration.

Finally, the Conference touched on recent case law. A recent Court of Appeal judgement³ confirmed that a collateral warranty can be deemed as a construction contract, depending on its wording. If suitable wording is applied, a party could face adjudication for professional negligence claims.



CHRIS REEVES



Position: Head of Quantity Surveying | Phone: +44 (0) 7825 276 291
Email: creeves@globalrisksolutions.com | Location: London

² ONS – Insolvencies July 2022

³ Abbey Healthcare v Simply Construct