

CASE STUDY: FUND MONITORING

CLIENT	Banking Institution
PROJECT	Office development for established lettings
CONTRACT	JCT 98 Private with Quantities
CONTRACT VALUE	£3.2m
BLAKE NEWPORT SERVICES PROVIDED	Technical due diligence on behalf of the client during the initial construction phase of the development



SITUATION

Blake Newport was commissioned by the client to review the borrower's proposed procurement methodologies in relation to the development and comment on their suitability and efficacy. In addition, the client required Blake Newport to monitor the progress of the development during its construction phase against established financial parameters and report on any variance which may impact on the borrower's risk profile.

IMPLICATIONS

The client had established a line of credit with the borrower for the successful development of office space. The borrower's ability to repay the debt was predicated on the punctual completion of the development and start-up of the rent revenue stream. Failure to maintain progress and cost of the works within the established financial parameters may impact on the borrower's ability to finance and repay the debt within the currency of the borrowing agreement.

OBJECTIVE

The main objective was to monitor the construction phase of the works with particular regard to progress, variations and claims from the contractor.

BLAKE NEWPORT SOLUTIONS

Blake Newport undertook an initial review of the proposed development to ensure that the client's interests were protected. This initial review included consideration of the chosen procurement method, the estimated cost of construction and the other items contained within the development budget. The terms of the proposed building contract were also considered, including the proposed collateral warranties and associated documentation. An initial report was prepared detailing the findings of this review with recommendations for action where necessary.

During the construction phase of the development, Blake Newport undertook monthly reports which coincided with the receipt of draw down applications from the borrower. These reports considered the claimed value of expenditure against the development budget and the estimated cost to complete. Through these monthly reports any emerging risks to the development budget were identified and advised to the client together with risk mitigation proposals.

OUTCOME

The project was completed on time and within the development budget. The client's interests were protected at all times and the development was a complete success for all concerned.