

Ground Source Heat Pump Association Webinar Series 2020

# Appointing Contractors, Regulations & Insurance

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# Introduction

Being involved with many projects I am aware that there is a gap in the awareness and narrative which covers a really important aspect of project delivery and is an area responsible for serious problems that occur, both short and long term.

Insufficient consideration towards who and how they are appointed, contracts, regulations and ultimately insurance is a frequent cause of problems in projects from design, through delivery to the operational end of the process.

This talk is intended to be a reminder, to help raise awareness and give some pointers. It does not in itself hold the answers!

# Content

- Appointing Contractors
  - The procurement process
  - Engagements
  - Contracts
- Regulations
  - Different Regulations & Standards
  - Focus on CDM
- Insurance

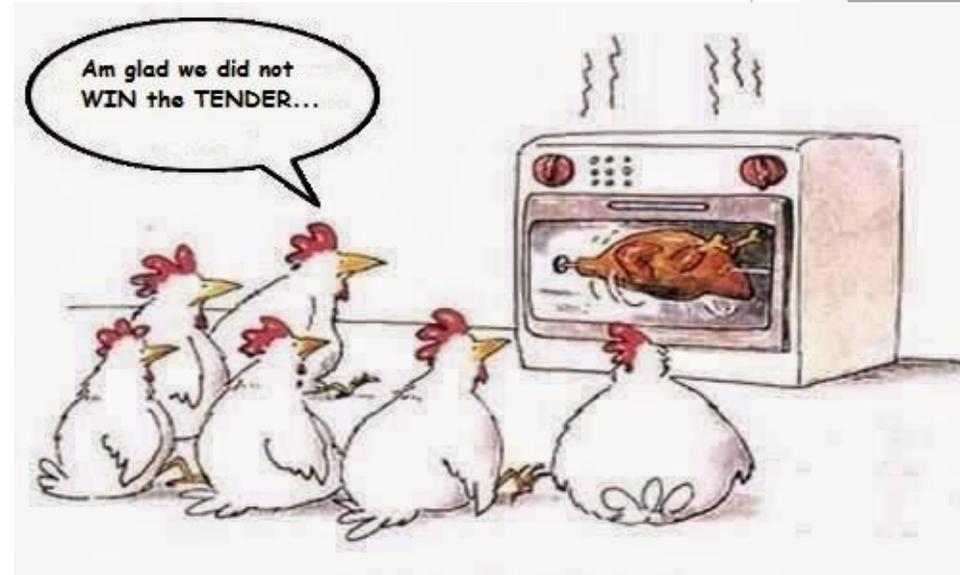


# Appointing Contractors

Why talk about it, why is it important? It happens all the time!

Getting it right means:

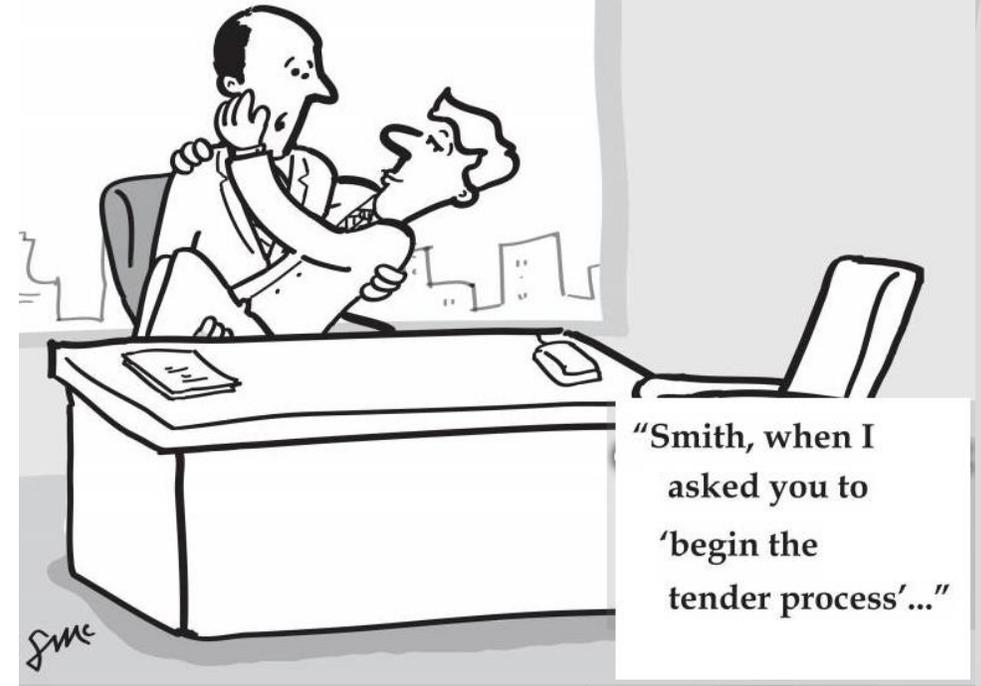
- successful project, a system that work as designed to meet the client's brief
- fewer problems
- manage and control delivery proactively
- delivery within or under budget
- delivery on time
- reduce or avoid conflicts
- good working relationships
- realistic expectations
- working relationships that last beyond a specific project for all involved



# How to Procure

The ideal process goes along these lines.....

- A clear and well-conceived scope
- A well-developed design that goes through revisions
- A design that enables the generation of an informed specification
- A carefully managed tender process
- Careful selection of contractor based on how well they
  - Have understood and presented a proposal that fits the tender/specification
  - Present their experience
  - Have performed in the past
  - Are equipped and staffed to complete the project
  - Can accommodate the work within their existing commitments and capabilities
  - Can deliver the project in terms of value
  - Would work with 'you', delivery partners and/or the main contractor and the client



# Who Should Employ Who?

There are often a number of possible relationship structures that can be considered. Drilling is an example of a large cost package in GSH&C, so who should engage the drilling contractor?

Options 1 – Client – Drilling Contractor

Options 2 – Client - Main/Principal Contractor - Drilling Contractor

Options 3 – Client - Main/Principal Contractor - Specialist Sub-Contractor - Drilling Contractor

Options 4 – Client - Main/Principal Contractor - Specialist Sub-Contractor – Sub-Contractor/Specialist - Drilling Contractor

A drilling contractor should be engaged by the person or company ultimately responsible for the success of the project or their specialist sub-contractor. They must have the appropriate insurance and should have the necessary expertise to coordinate/manage the drilling, if not they would ideally appoint someone to oversee it for them.

# Factors Influencing Who Employs Who....

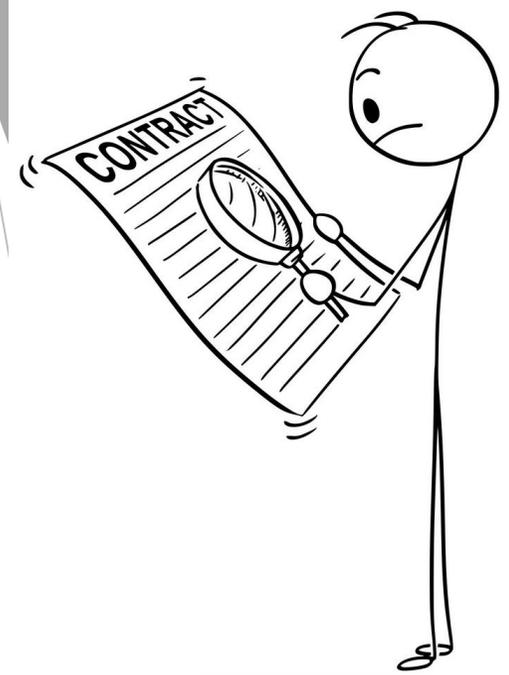
People or companies may not employ drilling contractors because:

- Company policy
- Company structures will not allow them to engage certain trades
- Due to perceived risk
- To create a firewall against risk
- Due to a lack of appropriate technical skills or experience
- Due to a lack of appropriate management experience or capacity
- Due to poor credit or cashflow
- Due to not holding appropriate insurance policy

# Contracts

Some points on contracts:

- Relatively few drilling projects are completed under a formal contract
- Most drilling is initiated by a simple purchase order or written instruction secured by a deposit
- Most drilling is governed by standard terms and conditions
- Where contracts are agreed they should protect both parties
- Formal NEC or similar contracts are expensive – recent example >£17k to put in place on a contract worth £220k
- Can be a barrier to employment – COVID terms, damage and loss conditions, overrun conditions,
- If not a contract an agreement is possible and helps resolve disputes, payment issues, overruns, etc
- Some agreement is recommended



# Regulations - General

There are a fair number of regulations that may affect a project in terms of technology, industry, risk, personnel, environment, hazards, etc.

There are core regulations which apply to most industries:

- Building Regulations
- Manual Handling Regulation
- CDM Regulation
- Health and Safety at Work Regulation
- PPE at Work Regulation
- Work Place Regulation
- Etc...



# Regulations - Specific

Some of the Specific Regulations that apply:

- F-gas Regulations
- Gas Safety Regulations
- Electricity at Work Regulations
- Water Abstraction and Impounding (Exemptions) Regulations 2017
- Private Water Supply Regulations

PLUS! Numerous Standards apply to most aspects of the projects we design and deliver.

# Regulations - CDM

The CDM Regulations provide a very clear way to understand roles and responsibilities and thus how the regulations, rules and standards should be accounted and applied.

The HSE stated that:



*Whatever your role in construction, **CDM** aims to improve health and safety in the industry by helping you to: sensibly plan the work so the risks involved **are** managed from start to finish. Have the right people for the right job at the right time.*

CDM is primarily about health and safety but equally provides the framework for designing, managing and delivering projects

# CDM: Dutyholders - Who are they?

Organisations or individuals can carry out the role of more than one dutyholder, provided they have the skills, knowledge, experience and (if an organisation) the organisational capability necessary to carry out those roles in a way that secures health and safety.

Dutyholders:

- **Commercial clients** – Organisations or individuals for whom a construction project is carried out that is done as part of a business.
- **Domestic clients** – People who have construction work carried out on their own home (or the home of a family member) that is not done as part of a business. CDM 2015 applies if the work is carried out by someone else on the domestic client's behalf. If the householder carries out the work themselves, it is classed as DIY and CDM 2015 does not apply.
- **Designers** - Organisations or individuals who as part of a business, prepare or modify designs for a building, product or system relating to construction work.
- **Principal designers** - Designers appointed by the client in projects involving more than one contractor. They can be an organisation or an individual with sufficient knowledge, experience and ability to carry out the role.
- **Principal contractors** – Contractors appointed by the client to coordinate the construction phase of a project where it involves more than one contractor.
- **Contractors** – Those who carry out the actual construction work, contractors can be an individual or a company.
- **Workers** – Those working for or under the control of contractors on a construction site.

# Practicalities of CDM & Dutyholder Roles

Even if a project is not notifiable to HSE all construction/site work must be completed in line with CDM Regs

Apart from making for safe and better places to work, use the CDM Dutyholder roles and responsibilities to:

- Establish from the outset each parties role & responsibilities
- Chains of communication
- Management structure
- Decision making process/change protocols
- To make sure you have all the information you need to complete the project
- To avoid surprises, delays, conflict, etc
- If necessary to justify additional costs, longer delivery times, and
- If all goes wrong.... to help resolve problems and take responsibility for your 'part'

# Insurance

All parties involved must hold basic insurance

All need to have appropriate insurance for what they do

All need to have appropriate insurance to cover them for the sub-contractors they employ

It is not always possible to secure insurance to cover the employment of a very specialist sub-contractor which is considered to pose an unusual risk. The company seeking insurance to cover a specialist sub-contractor may not be able to demonstrate they have the capability to discern whether they are employing a reputable specialist, to manage them or to manage risk levels adequately for them to be insurable.

Companies or individuals may have a history that prevents them from securing insurance

The cost of securing appropriate insurance can sometimes be too great.

It may not be worth paying a premium to uplift an existing policy or to put a policy in place to cover drilling when it is a one off activity

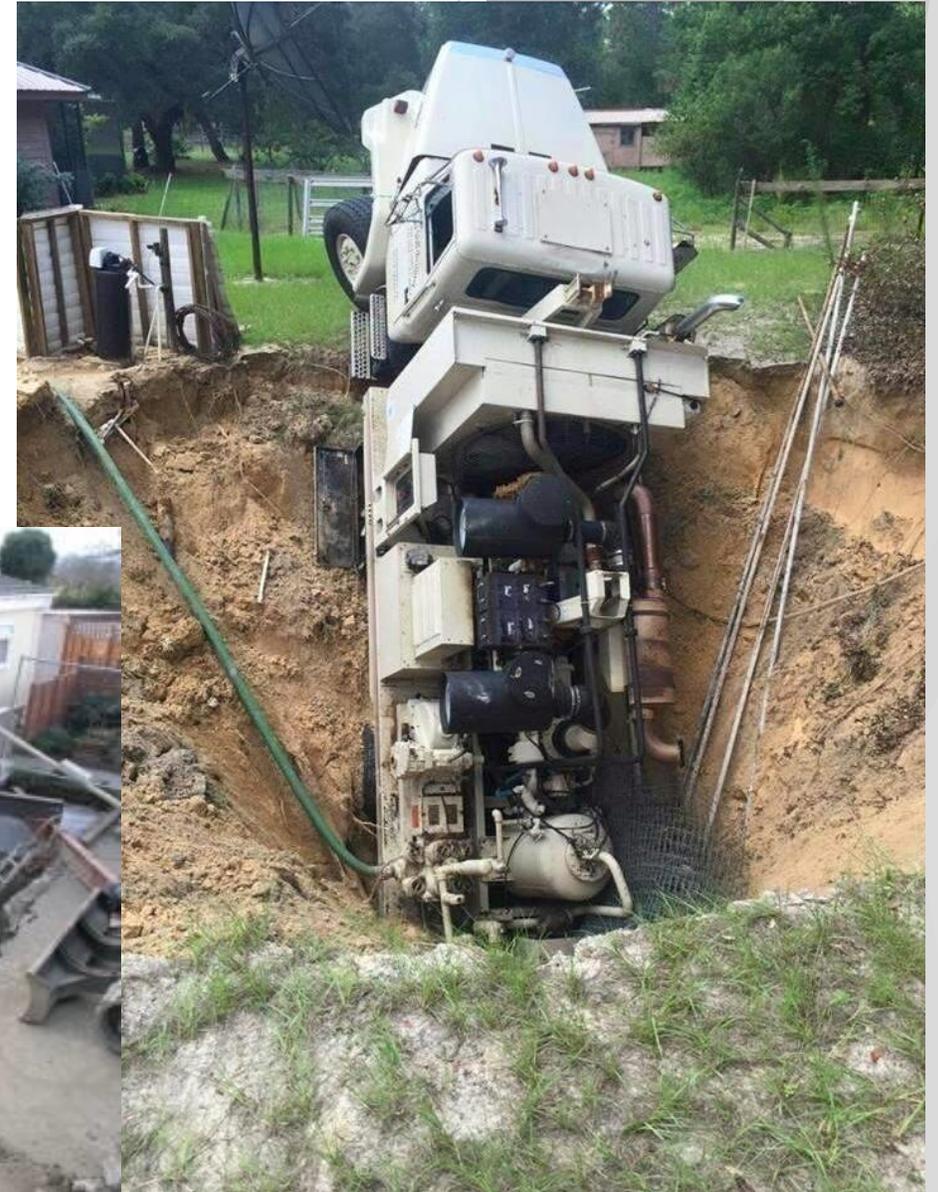
It may be easier or cheaper to insure yourself to employ a specialist who in turn employs the higher risk specialist sub-contractors.

All involved need to ensure they have the right cover, the right level of cover and comply with the terms of their insurance.

# Insurance Requirements & Conditions

Common insurance requirements/conditions:

- Preparation
- Competencies
- Revisions
- Documentation
- Management & supervision
- Tests & checks



# Questions.....

and thank you  
[www.gshp.org.uk](http://www.gshp.org.uk)

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