



Shaping public
construction

Impacts of construction inflation

There are an ever-growing number of factors that influence the cost of a construction project, which coupled with the reactive and volatile labour market have the potential to make early project cost estimates unreliable and can have serious impact on securing appropriate funding and hampers clients ability to make informed decisions.

SCF offers a solution to those challenges through proper early integration of project teams and a culture of open and collaborative behaviours via the 2-Stage Open Book Process with early contractor involvement (ECI).

This paper explores the various factors that can catch a project out and how the right project environment can improve the reliability of early preconstruction cost advice.

Please view the [SCF Quick Start Guide](#)

Matching the budget to the brief

At design stage 0 a clear brief will enable the project team to establish a realistic cost model that reflects the specific requirements of the brief, considers the site constraints and the timing of the project. If a specific budget is part of the brief the design team need to buy into the cost modelling assumptions that will enable that number to be realised.

Linking the cost model to the design should be informed and supported with fundamental building economics principles and ratios such as wall to floor, nett to gross and the like. As an integral part of the SCF process, ECI enables more robust verification of how well the budget and design are aligned.

Increasing project complexity and integration of technology

The advent of BIM has enabled designers to create more exciting responses to the brief which alongside ever more stringent requirements for the energy performance and building regulations have the potential to have an impact on cost. It is vital that the cost team stay close to the design evolution and factor in the impact of creative and bespoke design solutions as the design evolves. For example, an aspiration to achieve BREEAM Outstanding on a project will generate huge long term benefits for the building but carry a significant investment in design and construction cost and must be factored in from an early stage.



Change control and cost planning discipline

As a design evolves between stages proactive cost management is essential. Leaving cost checks to the major design gateways only can result in significant design re-work, delay and cost to a project. Constant, proactive change control, supported where appropriate by consultation with the supply chain will minimise the likelihood of this problem.



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Impact of added value



The construction industry is striving to improve the way we engage with communities, create opportunities for training and apprenticeships and minimise the negative impact of works while they are undertaken. Many of

these initiatives carry cost alongside the direct benefits that they bring and should be carefully considered when developing project budgets.

Beware of benchmarking and indices

Every project is unique and requires a project specific cost plan to be developed and managed; elements can be benchmarked to support the process of cost planning and this should be encouraged. However assessing a project budget purely based on £/m2 is a high risk strategy and has the potential to cause serious disruption to a project.

The SCF process helps improve certainty in a number of ways, these include:

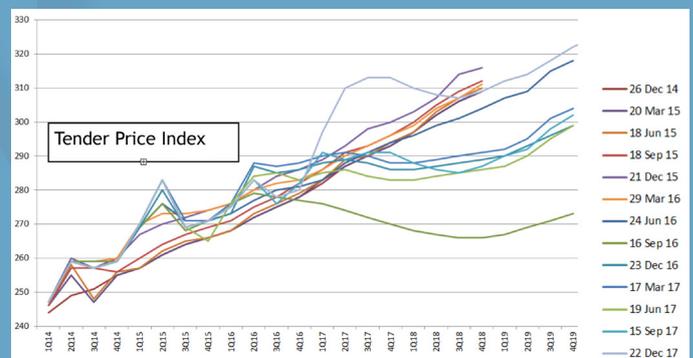
- Published market intelligence on key packages (<https://scfsolutions.org.uk/wp-content/uploads/2018/07/market-Intelligence-review-A4.pdf>)
- Collaborative cost plan development with the benefit of contractor access to the supply chain for current benchmarking and market testing
- Access to contractor cost planners, and commercial and procurement specialists, with the benefit of live construction cost data and pricing

Predicting the cost of building in the future is essentially a guess. Indices can tell us the past and help with forecasting a range. They do not predict the future accurately. The next 12 months will obviously bring a whole new dimension to cost variability as movement of labour and materials and industry capacity are impacted by Brexit in ways that are impossible to predict. Every project should have a risk mitigation plan in place. The TPI chart below shows the huge variance in predictions that can occur over time and the risk associated with relying on such predictions at a given point in time to secure funding.

Risk allocation, contingency allowances and Optimism bias

Project budgets should properly consider project risks, from an early stage a formalised collaborative risk management process will help minimise the ultimate impact on time and cost of these risks through a structured approach to mitigation and management of issues. Effective risk and opportunity management is a key requirement of the SCF process with detailed guidance available in the SCF Guidelines and Working Practice if required.

Alongside the risk management process adequate contingency and risk allowances are essential and should reduce gradually as a project progresses through the design and procurement phases. Our natural optimism often means that contingencies are suppressed at the early stages allowing no room for the team to manage and develop solutions within the overall budget allowance. A minimum of 10% should be allowed at stage 2.



For more information about SCF or to speak to your regional Operations Manager, click here:

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