

Final Project Costs Greater than Cost Estimates Lessons Learned & Observations

Disagreements between parties to construction contracts continue as the variances between project cost estimates and final project costs continue.

These differences are causing ongoing strain to multi-party relationships and resulting in disputes with unfavourable outcomes.

Based on lessons learned, the following are practical steps to reduce such differences and work towards greater cost certainty:

- 1. Completeness:** Completion of scope, design, and investigation before the commencement of construction work.
- 2. Involvement:** Early involvement of contractors and suppliers, as required, during the design and procurement strategies.
- 3. Sharing:** Sharing of knowledge of reasonable tender prices and analysis of project performance during the procurement process.
- 4. Consultation:** More frequent consultation at project commencement to review and check on the accuracy of the assumptions and project data.
- 5. Interaction:** Progressive update of estimates as the design evolves with independent peer reviews to confirm expected outcomes.
- 6. Contingency:** Appropriate allocation of risk-based contingency to reflect the level of project maturity, including design progression.
- 7. Technology:** Utilisation of technology, such as Building Information Management (BIM) to eliminate unforeseen cost overruns.
- 8. Framework:** Greater use of data-led shared frameworks to improve the capture and analysis for the purpose of cost estimating.
- 9. Standardization:** Establishment of standardisation for data handling, project management and risk assessment.
- 10. Communication:** Improvement of communications between parties who prepare estimates and those that report on final project costs.

Achieving Better Estimates and More Realistic Expectations!

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