

## COST ESTIMATES EXPLAINED

### Does the University pay too much for Building work?

In the Estates Office we are professionally qualified building service engineers, project managers, surveyors and facilities managers. We are chartered, certified and experienced in our industry. We are proud of the built environment that we create, maintain, and operate, in the knowledge that this assists the University to deliver the best teaching and world class research.

Sometimes the cost of the building work can be a surprise, particular if your only previous experience was dealing with a builder in your own home. We often hear a minority of colleagues responding *"I could get this work done cheaper using a contractor I know. They are good; they have done work on my house"*. Through this note, we hope to explain why the cost estimates or budget costs we prepare provide value for money. We will also explain why estimates can differ from the final cost.

1. The University is a place of work and must comply with a wide range of legislation and codes of practice, which do not apply to individuals in their private homes. This includes the health, safety and welfare of all those effected by work, including students, visitors and the general public.
2. The University must ensure its contractors adhere to procurement, financial and sustainability regulations.
3. 21% of the estate is listed and more than 90% of it is in a conservation zone. The cost of complying with the restrictions and limitations of working on heritage assets forms a significant part of projects costs.
4. Compliance comes at a cost. Activities and people unfamiliar with the University require management and supervision to ensure everyone goes home safely. After agriculture the construction industry is the most dangerous work sector in the UK. There are two fatal injuries for every 100,000 workers.
5. Construction work is a complex list of activities that must be completed in a defined order, this requires lots of planning and consent. These activities are a costly part of any programme and contractors must have resources to manage, supervise, plan and deliver them.
6. The University is proud to have a number of high-spec, state-of-the-art facilities including Animal services units, MRI scanners, low vibration labs and much more. As well as increasing the complexity of the infrastructure, these facilities can place

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- limitations on working arrangements. For example, working outside of normal hours, restricted parking and quiet working can all effect the final costs.
7. The University environment places constraints on our professional teams and contractors alike, for example:
    - a. Requiring disruptive works to be undertaken during the holidays creates demands on contractors who may respond by charging a premium.
    - b. Programming works around key events, such as open days, exams, graduations etc.
  8. The University spend tens of millions of pounds every year procuring construction work. A key part of the construction procurement strategy requires the appropriate allocation of risk between the various parties. The insurance or protection from risk carries a cost like any insurance premium. For construction work, the University requires contractors and consultants to have public and employer's liability insurance. They must also have professional indemnity insurance to cover compensation claims from poor advice or design.
  9. The Estates Office, working with Procurement colleagues keep the costs in check by ensuring that a robust procurement strategy is devised, which includes the competitive tendering of works packages. We constantly review the supply chain and work hard to ensure a balance of high quality and affordable suppliers have prequalified to be part of the University framework. It is in the interest of the University that contractors are commercially successful, so overheads and profits of contractors are a reasonable cost for them to charge.
  10. The Estates Office is part of the University; we strive to deliver value for money and to provide welcoming, supportive facilities for teaching, research and residences.
  11. University departments will not normally pay professional services fees for minor repair or maintenance works. Works defined as alterations, improvements or large capital investments will include specialist professional fee costs and are subject to VAT.

## Why has the final cost of the work exceeded the original Rough Order of Cost (ROC)?

1. The ROC is always produced in good faith as an approximation, based on the information available at the time of production. They are not intended to be an exact, 'cost of every nail' figure.
2. Estimates are often based on the cost of recent similar projects around the University. Given the size, scale and complexity of the estate, this can introduce variation to the estimate. The surveyor will be prudent and allow for variations through the use of provisional sums (an allowance to cover cost elements that are yet to be defined).

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3. The construction industry recognises that the number one cause of discrepancies between cost estimates and final cost is the ambiguity of the client brief. A clear client brief, including confirmation of the available budget, will allow the Estates Office to produce more accurate ROC's.
4. 'Scope creep' is a significant factor in final costs exceeding early cost estimates; what starts as a simple request can quickly grow, thereby requiring the designers, engineers, planners and a team of professional consultants, all who must be paid for their services.
5. Post contract variations have a disproportionate impact on final outturn costs. Imagine the costs involved in changing the colour of your car after you've bought it. As well as design variations having a cost impact, so will changes to the contractor's logistics. We have to pay suppliers during the contract, even if we have asked them to stop working because of an unexpected disruption.
6. We recognise that not all the information is available at the time of enquiry and that surprises do happen. It is for this reason that we utilise provisional sums and appropriate contingencies, and why we will challenge and resist the temptation to exclude these to make an ROC seemingly affordable.
7. The University works hard to control construction costs and yet ROC's may appear high to colleagues. ROC's may exceed departmental budgets/grants. Sometimes expectations of what is achievable within budget do not match the market conditions of the commercial construction industry.
8. External factors such as the new Hinckley Point power station project can divert much of the resources, equipment, and material prices out of the Southwest region, which inevitably drives up costs, by as much as 15-25%.
9. The time taken between a ROC being prepared, and the budget becoming available can be many months. Construction industry inflation far exceeds general retail inflation, at the time of writing the Royal Institution of Chartered Surveyors are forecasting an annual 3-5% increase in tender prices. We advise caution if relying on an estimate ROC older than 60 days.

For further information please contact your zonal Facilities Manager.

<http://www.bris.ac.uk/estates/contact/>

## **NOTES ON ESTIMATES EXPLAINED**

To make a work enquiry please go to the Estates Office website <http://www.bris.ac.uk/estates/> and select the appropriate button ('maintenance' or 'project')

If the project button is selected we ask that you provide the following information:

- a. *Has a Faculty Manager, Dean or Budget Owner approved this requisition and appointed a lead contact?*
- b. *Share the budget constraints you are working with?*
- c. *Who is the lead contact?*
- d. *Cost code from which these works would be funded.*
- e. *Have critical milestones for delivery already been identified? Please detail the ideal time frame for completion and any impacting factors.*
- f. *Please indicate the strategic impact of completing this project requisition.*
- g. *Please identify the consequences of not proceeding.*
- h. *Has the Estates Facilities Manager agreed any proposals or restrictions?*
- i. *Have Space and Asset Management approved the change of use for the space?*
- j. *List stakeholders that will need to approve the project e.g. IT Services, Security Services, etc.*

### **We love to build the facilities you need so;**

*Talk to us early about the specific problem you want building works to resolve and let us use our expertise to design solutions for you.*

*Talk to us early and often about your budget and your deadline. It really helps to be clear on these early limits.*

*Time spent designing a project is not wasted. We can reduce disruptive costly construction time by spending equivalent time planning.*

*Be ambitious and ready to be challenged.*