



Construction Cost Planning in a Changed World

An unprecedented global situation presents opportunities
for cost consultants to thrive in a changing world

October 2020

Contents

1. Cause for optimism
2. Costs firmly in focus
3. An altered design landscape
4. New opportunities emerging
5. Make the best of an unprecedented situation
6. Conclusion



Cause for optimism

The first wave of the pandemic altered the future facing all businesses, including construction.

As client organisations, contractors and the consultants and supply chain that support them look ahead towards further potential waves, it must be with eyes wide open. Yet it can also be with optimism because, as a sector, construction is far more fortunate than most.

History has proven many times that investing in infrastructure and the public environment is a way for governments to drive recovery. A promise to 'build, build, build' is only the surface slogan of an existing imperative to invest. The need for new and modernised infrastructure, power networks, hospitals, flood defences and housing existed long before the coronavirus.

The delayed £13.5bn national construction framework has already restarted, and the accompanying £1bn consultancy framework will do the same. The sector will unquestionably benefit from the pending relaxation of planning regulation, impacting both expansion and development of public projects like schools and hospitals, and many private brownfield developments.

Operational momentum is now returning to the sector after lockdown, though many challenges lie ahead. In the next few pages, we explore how this might present opportunity for cost consultants and how they can prepare to capitalise on these to not only survive but thrive in a changing world.

Costs firmly in focus

The cost environment has changed for every player in the industry. As a result, as projects conclude, the ICAEW predicts some high-profile insolvencies. As new projects approach, McKinsey argues that there must be a new paradigm for project planning to adapt to the realities and costs of the Covid-19 construction site, which range from reduced labour density, to PPE considerations, and more.

The first challenge for contractors is to get over the impacts of the disruptions of the pandemic first wave. Site suspensions created costly delays in projects that were in or approaching the build phase, as site costs continued to accrue through the downtime. Not only must contractors find ways to make up for lost time, they must find the least cost routes to do so.

The second is to ensure that their organisations are in shape for what is likely to be a continued period of turbulence. Many larger contractors are now in the process of restructuring and streamlining, as they prepare not only for a toughening economy but possible further business interruptions.

The impact on smaller players may be even more profound. With less financial resilience, smaller contractors and sub-contractors as well as the supply chain will feel the effects fast. In previous recessions this has created a tendency for risky, loss-leading tenders. For larger operators and main contractors, transparency in the supply chain will be essential, especially around risk. Careful scrutiny of tenders and tight management of sub-contractor costs will be even more vital, if they are to minimise the risk of supply interruptions or delays from insolvencies, alongside ensuring they run profitable projects.

Costs are at the very centre of the challenges facing construction businesses. Contractors are under pressure to compete, deliver and drive profitable margins from current and future projects and will therefore need the skills and services of their cost experts. Their clients will need them to maintain a closer connection to the cost dynamics of their projects than ever before.

“Efficient processes and knowledge hold the most value now, so a system like Causeway CATO which captures and analyses data is crucial to running a successful business, whilst the subscription model allows us to implement enterprise tools and become more competitive than ever before.”

Erland Shaffer, CEO, Atorus Consulting





An altered design landscape

The construction needs of a post-pandemic world may be different from those we are used to.

Designers and architects are already envisioning new concepts and configurations for commercial spaces, as our relationship with space and attitudes to interpersonal risk changes. Markets such as HVAC and coatings are likely to adapt to meet evolving infection control needs for all buildings, not just medical and research settings. These will add to the macro-level changes such as accelerated adoption of offsite prefabricated and modular construction, to help contractors streamline use of human resources on site.

These changes, alongside lower density target usage of all kinds of spaces will fundamentally impact the cost and value models for public and private sector building clients, and thus for their contractors.

Local authorities will look afresh at urban planning, public spaces and public buildings. Industrial businesses may re-engineer manufacturing and processing models to use space very differently. Delivery of national digital strategies for road and rail by Highways England and Network Rail will become even more important to accommodate changing public use of transport networks under social distancing.

Cost consultants and quantity surveyors will play a central role in developing new paradigms for cost-effective delivery and the embracing of modern methods of construction.

“The wide range of modules available with CATO is enabling us to introduce greater efficiencies to many of our core processes.”

Ciara Maitland, Practice Manager, Hood McGowan

New opportunities emerging

Every new project that arises in this new environment will create a cascade of new pre- and post-construction opportunities for cost consultants to contribute value to their clients.

Clients and contractors in need of cost certainty will not just depend on your skills in the core areas of cost planning, cost visibility, cost control and the tightest of cashflow management. They will also need professional cost planning advice, guidance and expert analysis in many areas including to:

- Inform re-planning and costing of pre-fabrication and value engineering routes to recover lost time on live projects delayed due to the pandemic.
- Revise cost plans for pending projects to reduce cost and other risks from suppliers and sub-contractors selected based on tenders prepared pre-pandemic
- Comprehend the cost implications of post-Covid trends in construction materials and modern methods of construction including prefabrication and offsite construction.
- Create feasibility analyses that incorporate the new realities of site resourcing and economics and incorporate contingencies for the likelihood of future operational interruptions.

- Maintain real-time oversight of changing cost and risk profiles on live projects, to enable informed decision-making and agile responses to change

Of course, many contractors and client organisations are looking to trim costs by reducing internal resources and scrutinising expenditure on external consultants. Large QS practices may well have to tighten their belts in similar ways. At first glance this can seem to limit the potential for some independent service providers. However, the inescapable central role of cost in bidding, planning, managing and delivering projects protects the role and relevance of experts in both estimation and cost planning to a significant degree. In fact, the consulting market in general can benefit when services are outsourced to create efficiencies. Even when experts within larger organisations are themselves victims of downsizing, there are opportunities to establish independent practices.

The case for not only good pre-construction cost planning but continued, end-to-end cost control and oversight has never been stronger. Independent service providers can shape new services and identify many new ways to add strategic value to their clients' businesses.



Make the best of an unprecedented situation

To capitalise on such opportunity and win business in a competitive and cost-sensitive environment, it is essential for cost consultants to themselves operate in the most efficient and effective way possible. Platforms such as the CATO cost planning suite enable them to:

- Eliminate the limitations and risks of using disparate tools and spreadsheets by embracing modern, connected cost planning tools that offer a full range of capabilities.
- Free up time to add value, insight and expert advice instead of wasting time on measurement, cross-checking and comparisons by automating a raft of cost tasks
- Enable collaboration around cost. The construction sector's use of digital technology was already accelerating but collaborative capabilities are now key to home-working and minimising site visits.
- Deliver complete cost planning and consulting services at any scale. Powerful tools that were formerly only accessible to large practices and in-house teams are accessible to individuals on an affordable subscription basis that can cost less than a single co-working desk.
- Quickly set up comprehensive, professional services with access to high calibre measurement, management, forecasting and cashflow management and grow their cost management system in a modular way and at their own pace.
- Provide a modern, digitally-enabled and flexible working environment for the next generation of QS talent who expect the same ease of access to digital data and tools they have experienced in their University environment and in their everyday life.
- Develop specialist services based on an ever-growing knowledgebase of historic cost data that enables increasingly accurate and dependable cost planning activities.

Those who fail to grasp every advantage that digital cost planning technologies can deliver may find they lose out in a highly competitive, changeable construction marketplace - but those who do will be able to move fast and capitalise on many new opportunities to add value.



Conclusion

The process of construction is so complex that controlling costs and cost factors will remain critical and central to the process no matter what happens. That creates a rich environment for those with the qualifications and experience to advise and guide clients and contractors on how to minimise cost risk, maximise cost certainty, and control their cost environment to create profitable project outcomes.

The capability to create clarity around cost lies almost exclusively with expert cost consultants and professional quantity surveyors. The successful and profitable delivery of their services will however rely on them having access to the powerful and professional-grade tools for the job. With these in hand, they can not only free up their clients from cost concerns and details but build thriving businesses and reputations for driving value and success.