

Variations and deviations of construction costs

While the root cause of cost deviations may emanate from market cost fluctuations, poor expenditure control, inefficiencies on site and delays also add onto final figures



Jen Musyimi

Ever asked yourself why the actual costs for your construction projects are never the same as the projected costs?

Well, there is always a nickel difference and sometimes a lot more. Sometimes, it is worth worrying but other times, it's not.

The difference between the planned costs and the actual costs is termed as variations. In this issue, we hope to demystify this deviation and enlighten all those that are managing construction costs on how best to handle it.

To start with let's understand the genesis of the construction costs, which is either an estimate, or tender bills of quantities. The difference between these two documents is the precision and availability of details such that a tender bills of quantities is more accurate than an estimate.

Design details

Basically, either document is comprised of quantities of the described works as per architect's instructions and their corresponding prices. These prices are deemed as market average and may vary from project to project. The assumptions made here is that the architect has exhaustively communicated his design details and that the prices are infallible. Further, it's hoped that the conditions on site are perfect and nothing could go wrong in such a manner as to alter the costs.

Of course this is never the case and thus the root cause of cost deviations may emanate from market cost fluctuations, poor cost control measures and inefficiencies on site. There are a lot of unpredictable forces in the market, a phenomenon that causes prices to be very turbulent in any given period.

You will never for example find a bag of cement costing the same price in a given year. Purchase price will also depend on the bargaining power of the suppliers and buyers. If a buyer's bargain-



National Housing Corporation apartments under construction at Langa'ta, Nairobi, last year. Construction projects must be managed with maximum efficiencies to minimise costs.. PHOTO: FILE

ing power exceeds that one of the suppliers, purchase prices will be favourable.

Cost control measures on site on the other hand are also very vital. This will include mostly thorough strictness on labour costs and incidental spending. To control these costs, one must first of all draw up realistic budgets and spend within these budgets. There should be budgets for site labour in terms of numbers and wages per head. All purchases for any site related issue must be accompanied by proper record keeping.

Further, the construction projects must be managed with maximum efficiencies. This includes minimisation of wastage and prevention of pilferage. The mixes of materials like cement and sand should be scientifically accurate. Site security on the other hand should be all watertight.

Moreover, it's worth mention-

ing that while variations can be caused by cost deviations, they can also be contributed by changes in the scope of work and time. Scope related variations happen more so, especially when a client issues instructions to alter designs during implementations. The designers too (architects and engineers) may also cause a variation, depending on site requirements.

Construction costs

Time related variations on the other hand occur when the time taken to complete the project is much longer than anticipated. Of course this may be not of any one's making especially under the force majeure blanket (un foreseeable aspects). Either case, the running and overhead costs of implementing the project are severely affected the longer the project takes to completion.

In emphasis, the causal effects of

variations is always a cost increase (mostly) in the construction costs and while this may just mean digging into the pockets deeper, it may be a bit complex depending on the method of procurement adopted. For public procured projects, the PPOA (Public Procurement and Disposal Act) requires that the variations should never exceed 15 percent. If this limit is exceeded fresh tendering must be organised. Further, even for private projects and especially if there has been external funding involved, raising the deviant sum is usually a big challenge.

It thus goes without saying that the cost management role on a construction project should be a collective responsibility with both the consultants and the client ensuring that they play the roles flawlessly. *The author is a member of the Institute of Quantity Surveyors of Kenya*

HF supports Meru community project

Mortgage financier, Housing Finance has supported a community-based housing development initiative in Chuka, Meru that aims to assist low-income households construct descent homes.

HF has extended support to Mwangaza self-help group, which was established to assist to low-income households to improve their housing and living conditions.

Speaking during the construction of a home for one of the beneficiaries of the project, Ms Rose Kagendo, Housing Finance Marketing and Public Relations Manager, Ms Alice Ngatia said the initiative is aimed at delivering affordable housing to the poor. "Housing Finance decided to support this noble project as part of our corporate social responsibility programme which we run in partnership with Habitat for Humanity Kenya. Our goal is to assist less fortunate individuals and communities to access dignified shelter," Ngatia said.

The housing project is an initiative by Habitat for Humanity Kenya (HFHK), a non-profit, non-governmental Christian housing organisation dedicated to the elimination of poverty housing. HFHK organises individuals, within communities, to come together and mobilise savings from their earnings as farmers or low income earners towards construction of their own homes.

Housing Finance works closely with HFHK to support community groups in Maua, Eldama Ravine, Bomet, Bungoma, Kisii, Machakos and Naivasha. Housing Finance provides funding for the construction of homes in these areas and staff provides labour in construction of the homes.

HFHK's Communication Officer Festus Mutua said the beneficiaries of the project each receive Sh250,000 for construction of homes using the incremental concept (building in phases) where a homeowner constructs a decent and durable house. "HFHK helps individual members within the group to come up with housing design, which are then quantified in terms of how much it will cost to construct the house," said Mr. Mutua.

HFHK enables low income earners access that initial capital through soliciting funding from individuals, corporations, governments and foundations. The cost is then divided into three and the homeowner is provided with two to three incremental loans to enable them start and complete the construction of their homes.

Housing Finance also cleaned up Meru town and planted trees in the area as part of their CSR day in the county.

- NICHOLAS WAITATHU