On the money

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Ewan Craig, a speaker at the RICS annual It?s Your APC conference, details the optional competency of Project financial control and reporting

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Project financial control and reporting is one of the optional competencies of the Building Surveying APC. It is associated with the core competency of Contract administration, and covers the effective cost control of projects during the construction phase.

The levels

At Level 1

Demonstrate knowledge and understanding of the effective control of costs during a project. Demonstrate understanding of the legal and contractual constraints and the effect of time and quality on the cost of a project.

At Level 2

Apply your knowledge to the management of project costs. This should include the preparation and presentation of financial reports on the performance of a project at appropriate intervals, to provide effective forecasting of costs, risks and their financial implications.

At Level 3

Advise on strategies and procedures to control predicted expenditure in line with a budget. You should be familiar with the controlling and reporting of costs on construction issues in your submission documents and be ready to address questions on them and related matters.

Questions

Actual questions are based on the candidate?s experience, which should be at Level 2 but could exceed this. Two examples are given below.

You prepared cost reports for a new 3-storey commercial building on project X. Could you please explain the items you included in the report summary at the midpoint of the project?

This question is aimed at Level 2. It could, however, be extended to Level 3 expenditure for the project. The answer would explain pertinent issues to support your application of knowledge.

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I monitored the works on a regular basis, and compared the out-turn costs against the authorised expenditure for the works.

I used my practice?s pro forma of interlinked spreadsheets to calculate the out-turn costs for the cost reports. I followed the RICS Cost reporting guidance note to prepare the cost reports on a monthly basis, with the midpoint in January 2016.

My report summary confirmed the costing parameters of the report; the cut-off date for data; 7 contract variations; 5 anticipated variations, actual to anticipated cash flow; and that there had been no fluctuations or loss and expense that would affect the out-turn cost. The costing analysis provided the current authorised expenditure; current underspend; current allowance for risk; remaining provisional sum; direct client payments; change from the previous report; and a breakdown of the primary changes.

The report showed which costs were known, which were forecast, and the risks, to inform the client of the likely out-turn cost. A partner checked the report for our quality assurance procedure. At the project?s midpoint, the report predicted an overall underspend to the client of ?101,500, with an authorised expenditure of ?3,560,601, excluding VAT.

You prepared cost reports for the new building on project X. Could you please explain how you treated the provisional sums in those reports?

This question is aimed at Level 2. However, it could be extended to Level 3 if you provided advice for the project.

I included the full amount of all the provisional sums in the first cost report to show the estimated potential cost of ?230,000 at that point, which included utility supplies for telecoms, gas, water and electricity. Subsequent reports incorporated adjusted provisional sums where the works were instructed and valued for the items; each provisional sum was adjusted to omit the original provisional sum and add the contract instruction value.

Each contract instruction was cross-referenced with the respective provisional sum and noted as a confirmed, agreed or pending cost item. The report on contract variations had 2 columns against each instruction: one to omit sums, and the other for additions for the contract instruction. The sum of the 2 columns gave a net adjustment, including provisional sums, to the authorised expenditure that was used in the summary. The final net adjustment for the contract variations on provisional sums was ?210,000, so the out-turn cost was reduced by ?20,000, excluding VAT.

Care

Given the time constraints of the APC, your answer should give a brief but comprehensive response. The answers above are not exhaustive; care should be taken to show your own skills, abilities and knowledge to the assessors.

Ewan Craig is an APC assessor and Associate with Ridge and Partners LLP

Further information

- RICS website has details on the APC pathway guide for building surveyors, as does isurv
- Related competencies include Construction technology and environmental services ,

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Contract administration , Legal/regulatory compliance , Quantification and costing of construction works , Works progress and quality management

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