

Why Your Construction Project Will Go Over Budget (And How to Prevent It)

Most construction projects exceed their original budget. This is not due to a single issue, but a combination of decisions made before and during construction.

Understanding where projects typically go wrong is the first step in preventing cost overruns.

1. Incomplete Design at Tender Stage

One of the most common causes of budget overruns is proceeding to tender with incomplete or insufficient design information.

When drawings lack detail:

- contractors make assumptions
- scope is not clearly defined
- gaps are filled later through variations

This creates uncertainty and increases the likelihood of additional costs during construction.

2. Unrealistic Budgets

Budgets are often set based on expectations rather than market reality.

This may be due to:

- outdated cost information
- underestimation of complexity
- pressure to make a project “work financially”

An unrealistic budget at the outset will inevitably lead to financial strain during the project.

3. Excessive Provisional Sums

Provisional sums are allowances for undefined work.

While sometimes necessary, excessive use of provisional sums creates significant risk.

Low allowances may make a project appear affordable, but actual costs often exceed these figures once works are defined.

4. Poor Contractor Pricing Structure

A contractor's quote that lacks detail can hide:

- missing scope
- underpricing
- unclear assumptions

This often results in:

- disputes
- claims
- cost increases

Transparency in pricing is critical to understanding true project cost.

5. Weak Control of Variations and CCDs

During construction, changes are inevitable. However, poor management of variations and Construction Change Directives (CCDs) can quickly lead to cost escalation.

Common issues include:

- unclear scope changes
- lack of proper assessment
- delayed decisions

Effective control of variations is essential to maintaining budget discipline.

6. Lack of Cost Monitoring During Construction

Without regular cost reporting and forecasting, it becomes difficult to identify budget issues early.

By the time problems are identified, corrective action may be limited.

How to Prevent Budget Overruns

To reduce the risk of cost escalation:

- Ensure design is sufficiently developed before tender
- Establish a realistic cost plan aligned with current market conditions

- Minimise provisional sums where possible
 - Review contractor pricing in detail
 - Implement proper variation and CCD management
 - Maintain regular cost reporting throughout construction
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Final Advice

Cost overruns are rarely caused by a single issue. They are usually the result of multiple small risks that were not identified or managed early.

Taking a structured and disciplined approach to cost planning and control is the most effective way to protect your financial position.

Need Advice on Managing Project Costs?

BuildWise Advisory provides independent cost and risk advisory services to help you plan, monitor, and control construction costs throughout your project.