Value and cost management fact sheet

Value and cost management work together to help keep your organisation focused on delivering what is most needed while keeping within the project budget.
As you progress through the planning and delivery of your project, revisit these strategies to help re-focus and align your goal with your budget.

Why is value and cost management important?

Optimising resources

It helps organisations make the most of their financial, human and material resources, ensuring that every dollar spent delivers maximum value.

Aligning with objectives

It ensures that infrastructure projects meet the organisation's goals, community needs and long-term sustainability.

Risk mitigation

Effective management reduces the likelihood of cost overruns, delays and resource wastage.

Stakeholder confidence

Sound financial and value management builds trust with stakeholders, including funding bodies, members and the community.

Sustainability

Encourages consideration of environmental, social and economic factors, ensuring projects are viable in the long term.

Value management

Value management is about achieving the best overall outcome and ensuring the project delivers what's most important. It's a process designed to maximise value, helping you to achieve quality results without unnecessary spending. Rather than simply cutting costs, value management supports informed decision-making to achieve the best possible project outcomes within budget, while maintaining quality, functionality and sustainability.

Key aspects of value management

1. **Define the objective and value of the project**

- Consult with all stakeholders and clearly understand and identify what you want to achieve through the project. Consider:
  - What you really need versus what you would like to have
  - The required level of competition and number of participants
  - What outcomes you seek, such as increased access, improved functionality or enhanced aesthetics
- Define the boundaries and limitations of the project, including budget, time constraints and any specific requirements

> Engaging an experienced designer early can provide long-term benefits.

2. **Apply a structured approach**

- Identify and analyse project functions to find ways to improve efficiency, reduce costs and eliminate unnecessary expenses
- Explore alternative design solutions, construction methods and materials to identify the most cost-effective and value-driven approach
- A project budget needs to consider all costs, not just the cost to engage the contractor

Refer to the *Sport HQ Scope of works fact sheet* for a list of potential inclusions in your project budget.

> Remember to consider the costs of relocating your activities during construction, if necessary.

3. **Focus on 'long-term' value, not just 'short-term' cost**

- Analyse not only initial construction costs but also long-term operating and maintenance expenses and consider if you can reduce maintenance cost through design
- Consider value for money, for example, a slightly more expensive roof with longer durability may offer better value over 20 years than a cheaper, short-lived option. Investing in energy-efficient lighting may reduce running costs and improve sustainability
- Encourage creative thinking to find ways to deliver high-value outcomes without compromising on quality or sustainability

> A value management tip is for approved projects to get going quickly. It won't be cheaper next year. Significant time delay from approval to construction can lead to significant cost increases.

4. **Implement and monitor construction**

- It is imperative that you closely and regularly track construction performance against the finalised project budget (i.e. budget versus actuals) and project timeframes/program.

Cost management

Unexpected cost increases can derail your project if you're not prepared. To help manage costs, first determine whether rising expenses are controllable or uncontrollable.

Controllable costs
These generally emerge before construction starts and can be managed through proactive planning, for example:

- Value management techniques to define the project, apply a structured approach and compare value
- Reducing or simplifying project scope to meet your budget during the cost estimation stage
- Splitting the project into separable portions or stages to meet your available funding
- Securing alternative funding sources if your cost estimate exceeds your available funds

Uncontrollable costs
These arise from factors beyond your direct control, often late during the pre-construction period or on-site, for example:

- Unforeseen environment impacts or ground conditions
- Price escalations from project delays (for instance, seasonal timing)
- Labour or material shortages, supply-chain disruptions or economic downturns
- Extreme weather events or public-health emergencies
- Environmental, heritage or Native Title requirements not identified early

> Always build contingencies into your budget, allow for detailed site assessments and an escalation buffer to catch hidden costs and prepare for unexpected surprises.

To avoid uncontrollable costs during the delivery of the project, you may need to pay up-front to gain previous plans and undertake site/facility assessments (i.e. soil testing or structural assessment/audits) to ensure that your organisation is well informed. Gaining this information and insight may help save money in the long run.

In case of a cost blowout during your project, the following measures can help to minimise or completely avoid the need for additional funds:

- Reduce scope to fit your approved budget, balancing essential items against "nice-to-haves" to protect core outcomes
- Ask if your project stakeholders can provide funding support
- Seek new immediately available funding sources to cover the additional costs
- Consider project delivery in stages to enable part of the project to be delivered, with the remainder subject to availability of additional funding
- Seek an independent cost estimate review to validate additional expenses
- Reset stakeholder and participants' expectations by adjusting deliverables to match budget