

Setting a realistic project budget for your oak framed house

Interviewer: When I embark on a self-build project, how can I be certain my project will be within my budget?

Andy: You have to start at the design process. One of the things we regularly see is an inability or unwillingness by the architectural profession to manage the design process in such a way as to ensure that the finished project will be within the client's budget. We've had people come to us with planning permission for a house which is significantly beyond their budget, in one case three times their budget. And the architect will have been paid his fees but the client cannot afford to build their house.

Interviewer: But it must be very difficult because isn't it something of a chicken and egg situation?

Andy: Rather than chicken and egg it's certainly an iterative process. You have to start with what you do know and make informed assumptions about what you don't. As the design process progresses you replace assumptions with certainties, and because you the client should be in full control of the design and specification of the house, with your design team providing expertise, guidance and advice they can gradually, as the scheme develops, guide it so that the end product falls within your budget. It requires real rigour and that everyone works together to achieve the end goal of giving you what you want, on time and on budget.

Interviewer: So how does the process start?

Andy: The first thing is to establish that you have a realistic expectation of what your project will cost. We start by getting an idea of the size of the house you want to build. This could be in area or simply in terms of the number of bedrooms. We'll also discuss the style of house you want and some of the things that are particularly important to you. For example you might want particularly high specification kitchen and bathrooms.

Interviewer: Do most people know what they want?

Andy: My experience is that people can articulate what they want if they're asked the right questions by someone who helps them unravel their ideas. They certainly don't want to be told what to have but few have ever done this before and they want guidance and advice. Most people want help understanding what's possible but certainly don't want to be railroaded down a particular route. They want guidance and advice but at the end of the day we're designing and building their house not ours.

Interviewer: OK, so you get an idea of what size house they want?

Andy: Yes, size and also things that we might consider to be big ticket items like renewable energy sources. At the early stage it's important to understand the general level of specification of the house. It's not that each individual item at this stage is necessarily significant it's more about being able to make an accurate assessment of a realistic budget for the project. Once we have this information we can discuss some high level budgeting costs based on an estimated price per square metre for the construction of the house. We typically have 15 to 20 active projects at any one time so we have a very good understanding of current construction costs around the country.

Interviewer: So that looks after the house construction?

Andy: Not quite. There are a raft of other costs that the client should take into account for their overall project budget. People do tend to focus on the cost of the build and not pay enough attention to other significant costs associated with the construction of a one off house. For example engineering work. As well as the need to design the house every building has to be 'proved' by an engineer and the calculations submitted with the buildings regulation package. Then there are numerous surveys that normally have to be conducted such as a topographical survey, and habitat survey which then spill into specific surveys for things such as bats and reptiles. It's also possible that the planners will require an arboricultural survey. It may also be necessary to have a ground condition survey and sometimes but not often an archaeological survey and full geotechnical survey. In addition to these costs the scheme will require an accredited SAP consultant to calculate the energy performance of the building and then you've got planning application fees and building regulation fees and so on.

Interviewer: How on earth would I know what all that will cost?

Andy: When looking at the high level budget at the very early stages we suggest people allow between 8% to 10% of the anticipated construction cost for all the other costs. It's also important to understand that whilst a newly constructed house won't attract VAT these other costs will. So in reality you need to allow between about 9.5% and 12% for other costs including VAT. And that VAT can't be recovered.

Interviewer: OK, so that's everything to actually build the house. Can I just come back to the cost per square metre you mentioned earlier? A lot of self-build publications and TV programmes refer to this. Are they accurate?

Andy: Generally, I'd say not. In fact I'd go as far as to say they're often misleading.

Interviewer: In what way?

Andy: Let me give you some examples. Production companies and publications rely on the owners for costs. Firstly magazines like to publish finished projects with good internal and external photography. This means the

garden needs to have gone through at least a season to mature. People often give the magazine figures they were quoted at the start of the project and not what was actually spent so it's likely that the figures they give to the publication are now some three years old. Secondly people often overlook some of the expenditure, perhaps because they decided to pay for some of it out of income and not from their project budget. Thirdly nobody likes to admit they've gone over budget and more often than not self-build, self-managed projects do.

Interviewer: OK, so can you give us an example of what a typical cost per square metre might be?

Andy: To be honest there are so many variables from house design, size, location, access and specification and on top of that you've got market trends and their impact on the cost of labour and materials. For example it wasn't long ago that the cost of brick layers jumped by 20% almost overnight. Because we have so many active projects we see current market costs almost on a daily basis. If someone has a project in mind I'd rather they call us and we'd be very happy to help them establish a realistic budget for their scheme.

Interviewer: OK so we can establish the likely construction cost at a very early stage. What else should we be taking into account?

Andy: Anything else you will have to do to build your new house or that you would like to do as part of your project budget. For example you may have to demolish an existing house, or you may want to put in a new driveway and do some landscaping. Understandably some people are happy to do some things from savings or income over time and don't consider them as part of their project pot but these should always be conscious well informed decisions, and not just something that has to happen because of budget overrun.

Interviewer: So to summarise, what are the key points to setting a realistic budget?

Andy: Consider everything. House construction, associated professional and regulatory fees, other work you must do to construct the house such as demolition and then other work you want to include in your project. Start with what you know and make informed assumptions about what you don't. As the scheme evolves, replace your assumptions with certainties and ensure you have a fixed price before construction starts. Talk to someone in the industry who knows what current construction costs are. Throughout the entire process of design, planning, technical drawings and specification and construction, continually evaluate the scheme to ensure it stays within budget.