

The construction industry is continually evolving and changing with every project undertaken being different from the next. So too is the level of risk associated with each project. The following article discusses the key factors that can influence the level of risk for a financier on a project and explains the new system BMT & ASSOC is introducing to minimise these risks.

The construction industry is one that changes continually and no two projects are ever identical. The levels of risk presented to financiers in each project vary dramatically and can be influenced by a number of key factors including:

- The difficulty of the site and its constraints;
- The complexity of the building being constructed;
- The level and quality of documentation available;
- The relative experience of the parties involved (builder/developer); and
- The contractual arrangement between these parties.

While these risks can be to some extent identified and qualified prior to the commencement of construction, it is the ongoing monitoring and auditing of a project that becomes critical in ensuring that the project proceeds on time, on budget and provides financiers with the earliest possible indication of any deviation to the forecast cost and time frame.

BMT & ASSOC recognise this fact and aim to reduce the risk to financiers throughout the construction process by offering different levels of progress payment reporting dependent on the level of risk identified. These reporting standards can be easily modified and customised to suit every development situation. BMT & ASSOC has defined these levels as follows:

#### **Level One Risk - Progress Payment Reporting (typical reporting standard)**

- The level one progress payment reporting system reflects our current reporting standard and represents the majority of financiers standard instructions.

#### **Level Two Risk - Progress Payment Reporting**

- The level two progress payment reporting system includes all reporting involved in level one.
- Additionally, BMT & ASSOC will chair a monthly budget review & progress control group (PCG) meeting and report back on any relevant issues to the financier including distribution of meeting minutes. This meeting will be conducted by BMT & ASSOC utilising a meeting agenda tailored to the project to cover key points relating to time, cost and any other finance sensitive areas. Financiers have the opportunity to attend these meetings if required, but minutes of all discussions will be provided as part of the updated report.

#### **Level Three Risk - Progress Payment Reporting**

- The level three progress payment reporting system includes all reporting involved in levels one and two.
- Additionally, BMT & ASSOC are able to report to the financier on progress of obtaining trade cover on all trades and assess the builder's expenditure against these trades.
- BMT & ASSOC can also extend this level to monitoring and recommending individual subcontractor invoices and facilitating direct payments being made to subcontractors for works complete, as well as confirming payments to individual subcontractors and conducting more frequent inspections and reporting if required.

By increasing the level of reporting on progress payments, it is the aim of BMT & ASSOC to:

- Increase security and minimise risk for financiers with set parameters in all progress payments; and
- Increase security and minimise risk for financiers with more comprehensive investigations into the payment of subcontractors from previous progress claims.

By conducting more detailed and/or frequent progress payment investigations, this risk can be minimised and a process put in place to identify problems as soon as they arise.

As mentioned previously these services are easily tailored to meet any project specific requirements so please feel free to call the office and speak to Tom, Brad, Brendan or Pedro.

## Recently Completed Projects

**Location: Potts Point, NSW**

Project type: Mixed Use Development

Approx. Construction Cost Per Square Metre: \$1,100/m<sup>2</sup>



**Location: Kurri Kurri, NSW**

Project type: 8 residential units

Approx. Construction Cost Per Square Metre: \$1,400/m<sup>2</sup>

**Location: Magnetic Island, QLD**

Project type: 3 residential units (luxury fitout)

Approx. Construction Cost Per Square Metre: \$3,010/m<sup>2</sup>

**Location: Tenambit, NSW**

Project type: 35 residential units

Approx. Construction Cost Per Square Metre: \$1,700/m<sup>2</sup>



**Location: Waterloo, NSW**

Project type: Mixed Use Development – 31 units

Approx. Construction Cost Per Square Metre: \$1,700/m<sup>2</sup>

**Location: Rye, VIC**

Project type: 11 residential units

Approx. Construction Cost Per Square Metre: \$1,500/m<sup>2</sup>



**Location: Glebe, NSW**

Project type: Mixed Use Development – 9 units

Approx. Construction Cost Per Square Metre: \$1,400/m<sup>2</sup>

**Location: Thornbury, VIC**

Project type: 4 residential units

Approx. Construction Cost Per Square Metre: \$1,400/m<sup>2</sup>

**Location: Bayview, NSW**

Project type: 6 residential units (luxury fitout)

Approx. Construction Cost Per Square Metre: \$2,820/m<sup>2</sup>

**Location: Cairns, QLD**

Project type: Mixed Use Development – 65 units

Approx. Construction Cost Per Square Metre: \$1,500/m<sup>2</sup>



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