



Time to build

The final stage of your project can be done in a number of ways!

By Genna Levitch, BDS

This article is about the final stage of a project - construction. As the preceding articles have demonstrated, it takes a lot of planning and preparation to get this stage right, but this protects you in this crucial stage, where it can be very expensive if something goes wrong. Often a practitioner will gloss over the planning stages as he or she is keen to start on construction and see things getting done. Construction is where the bulk of the budget is spent and dramatic changes occur. However, it is just the final step in a long ballet.

The purpose of the previous 11 articles was to demonstrate how important it is to ensure that by the time construction starts, all the relevant details have been decided, plans approved, colours, sinks, taps, door handles, finishes and specialised equipment chosen. This level of fine detail and specification of how the building should be built to Australian Standards forms the documents that allow a builder to price the project.

As the work is for a commercial project, a Builders Warranty will not cover you. That only applies to residential projects. You will need a contract, as this is not a deal that can be done on a handshake. There are a number of standard contracts you can use; each one is for a specific way the project will be conducted. The Master Builders Association produces the most popular contracts. They are simple, concise and fair to all parties, tested in court and widely used. They can be purchased

from the Master Builders Association in your state. There are specific contracts for the different ways a project is financed. The three most common ways are:

1. Cost Plus Contract

Where there are a lot of unknowns, for instance if the building plans are low on detail; the building itself is old and its structure is unknown; or the client is unsure what is the best approach, the builder may then be unable to provide a fixed price that has any certainty. Under these circumstances, the builder and the client agree that the builder will run an open book, i.e. show the client the invoices as they are incurred and add a set percentage to cover the co-ordination and site costs. This fee

can be between 5% and 20%. This can keep a builder honest as often they buy fittings like taps and lights at wholesale rates while charging the client retail price.

The disadvantage is that there is no incentive for a builder to keep a check on the budget. The more you ask for, the more he makes. Any and all changes are welcome.

A Cost Plus contract can provide some protection by having provision for:

- an estimated budget so it is not open slather;
- a set timetable for reporting labour and material costs against the estimated budget; and
- copies of all invoices produced to substantiate expenditures.





This method only works if you have a very honest builder. It is too easy for a builder to provide “doctored” invoices. It is impossible to check that every nail and brick you paid for was actually delivered to your site. It is possibly attractive to some people who want to know what the builder is making out of the project. It appears like a transparent system, but in practice it is only suitable for small handyman jobs.

2. Fixed Price Contract

When the design is complete and you have your council approvals, you can send a package of plans, schedules and specifications to a number of builders who have said they are interested in tendering on the project. It is rare to ask more than 3 or 4 builders to tender. It is an expensive and time-consuming process, so many builders will decline if there is a big field to compete against.

The builders will each come back with a fixed construction fee. A Fixed Price Contract is then used to complete the project. You or your architect, or project manager need to know the builders or have their references checked as few builders have experience with building healthcare facilities. It is common for an inexperienced builder to put up an amazingly low price, only to find part-way

through the project he has under quoted.

Do not be surprised if the prices vary by 20% or more. Each builder has a different team of tradesmen with different skills. Choose a builder with the best track record, not necessarily the cheapest. However, an experienced builder should also be very competitive. Remember the builder himself does not actually build.

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His job is to co-ordinate the tradesmen and make sure they are building according to the plans. The builder collects all the quotes from his trades, adds on insurance and his margin and offers you a Fixed Price. That means that every thing in the plans has been costed. Changes to a fixed price are called variations. Typically vari-

ations occur when a builder encounters a condition that was not anticipated. An example could be that the air-conditioning units are in the ceiling and their age cannot be verified until the ceiling is removed. An upgrade to the air-conditioning would be an extra cost to the “fixed price” i.e. a variation. One of the schedules of the contract should have a list of unknowns that could result in extra cost. This shows the builder has investigated all he can and is limiting the list of unknowns.

When you have a full set of detailed plans, you can use them to get competitive quotes. The disadvantage is that you do not know what the cost of the building work is until this late stage. If all the tenders come back way out of your budget, you may have to go back to the drawing board (literally) and either reduce the scope of, or redesign the project to better fit your budget.

In the next and final of this series we discuss the most popular option for a building project: Design and Construct.

About the author

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