NEW

CPD Webinar series

rbv

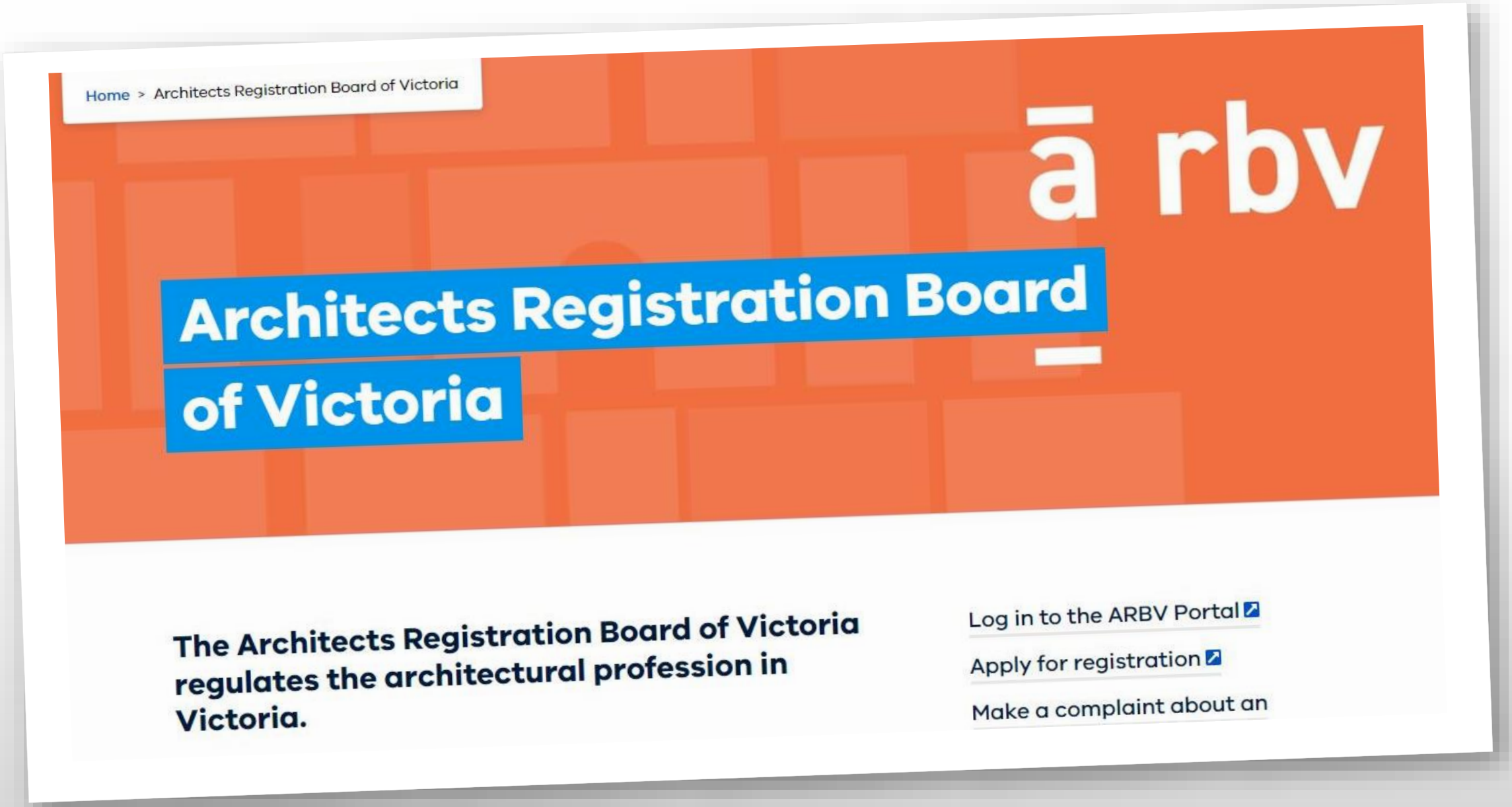
Architects
Registration Board
of Victoria

HOW TO MANAGE CLIENT BUDGETS AND PROJECT COSTS

Speaker | Emma Templeton
Templeton Architecture

Acknowledgement of Country

We respectfully acknowledge the Traditional Owners of the lands wherever attendees are situated, in particular the Wurundjeri People people of the Kulin Nation, and paying respects to their Elders past, present and emerging.



www.arbv.vic.gov.au

Learning objectives

This module will cover information linked to the following Architects Accreditation Council of Australia's (AACA) National Standard of Competency units:

- Project initiation and conceptual design
- Detailed design and construction documentation

By the end of this one-hour module, participants will:

- Appreciate the importance of understanding their client's brief and having realistic conversations about budgets at the start of a project
- Be aware of the different tools available to them
- Learn about ways to avoid budget and cost discrepancies and the importance of documenting project variations

Partaking in our interactive assessment will allow participants to **claim 1 formal CPD point**. A statement of completion will be emailed to participants at the completion of this module.

LEARNING OBJECTIVES

How to manage client budgets and project costs

Presented by:
Emma Templeton
Convenor
Architects Registration Board of Victoria

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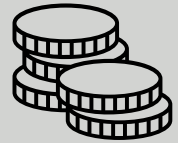
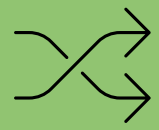
Project costs

Accurate cost of work budget



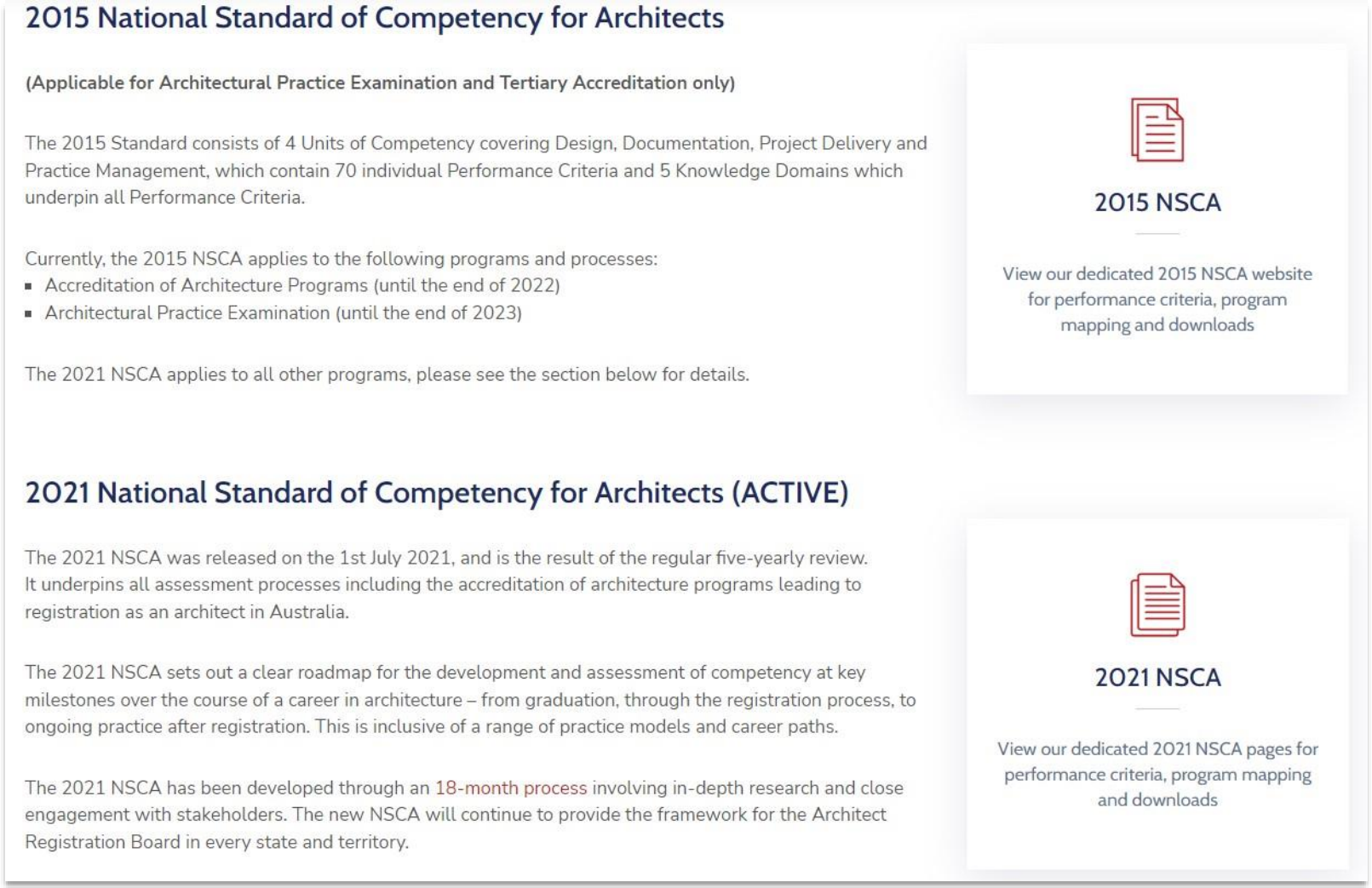
Managing an increasing budget

Possible outcomes



Relevant competencies

The National Standard of Competency for Architects establishes the Standard for architectural education and assessment of professional competency prior to registration as an Architect in Australia.
https://aaca.org.au/national-standard-of-competency-for-architects/



2015 National Standard of Competency for Architects

(Applicable for Architectural Practice Examination and Tertiary Accreditation only)

The 2015 Standard consists of 4 Units of Competency covering Design, Documentation, Project Delivery and Practice Management, which contain 70 individual Performance Criteria and 5 Knowledge Domains which underpin all Performance Criteria.

Currently, the 2015 NSCA applies to the following programs and processes:
- Accreditation of Architecture Programs (until the end of 2022)
- Architectural Practice Examination (until the end of 2023)

The 2021 NSCA applies to all other programs, please see the section below for details.

2015 NSCA

View our dedicated 2015 NSCA website for performance criteria, program mapping and downloads

2021 National Standard of Competency for Architects (ACTIVE)

The 2021 NSCA was released on the 1st July 2021, and is the result of the regular five-yearly review. It underpins all assessment processes including the accreditation of architecture programs leading to registration as an architect in Australia.

The 2021 NSCA sets out a clear roadmap for the development and assessment of competency at key milestones over the course of a career in architecture – from graduation, through the registration process, to ongoing practice after registration. This is inclusive of a range of practice models and career paths.

The 2021 NSCA has been developed through an 18-month process involving in-depth research and close engagement with stakeholders. The new NSCA will continue to provide the framework for the Architect Registration Board in every state and territory.

2021 NSCA

View our dedicated 2021 NSCA pages for performance criteria, program mapping and downloads

ARCHITECT'S DUTY

What is an architect’s duty?

According to AACA, at the point of registration and onwards, architects should be able to:

- Identify, analyse and evaluate client project requirements and objectives using qualitative and quantitative methods and, where required by the terms of engagement, to assist cost estimators in determining project feasibility/viability.
- Assess project budget and timeframe against project requirements and objectives, relevant legislation, statutory planning requirements, building codes and standards.
- Apply project budgets, or work with quantity surveyor to establish project budgets, based upon understanding of cost planning, value management and factors influencing project cost relevant to the project type and scale.

The minimum standard expected for estimating costs by an architect is that of a ‘reasonable architect’. The test of what is reasonable is ultimately an objective test. Architects are not required to have the expertise of a quality surveyor, however Architects do have an elevated responsibility to understand and manage project costs.

ARCHITECT’S DUTY

Cost of Works vs Total Project Cost

The Cost of Works (or Total Construction Cost) is exclusive of GST and is defined as the final cost of all work designed, specified or scheduled by the architect, including all work designed, specified and/or scheduled by specialist consultants coordinated by the architect, including:

- The final adjusted contract price (excluding GST) in accordance with any building contract
- The equivalent final cost (excluding GST) of any work or items supplied to the building contractor by the client (as if provided by the building contractor under the building contract), plus
- The final cost (excluding GST) of any part of the project provided under a contract other than the building contract.

Cost of Works vs Total Project Cost

Total Project Cost is inclusive of GST and is defined as the Cost of Works plus all other client costs associated with the project, including but not necessarily limited to:

- Removal and relocation costs
- Design and construction contingencies and escalation costs
- Architectural, consultant and other professional fees
- Authority fees and charges and/or legal fees

ACCURATE COST OF WORK BUDGET

Do you know your client's budget?

OPINION OF PROBABLE COST

Templeton provides an opinion of probable cost against the construction works to assist in determining the client's budget and scope.

Based on our previous experience, we have allocated square metre rates to your sketch plans. These square metre rates are indicative of the level of quality found in our recently completed projects. This information is provided as a rough guide at the initial design stages.

It is important to acknowledge that square-metre-rates can be inaccurate, as they are based on limited available information at feasibility stage. These rates often do not take into account the many factors that may influence or add to the construction cost, and may have an order of accuracy broader than plus or minus 20 - 25%. Construction costs are volatile within this current market and some of these influencing factors are:

- Project location
- Site access
- Unique design details or materials
- Buildability
- Extent of building services
- Availability of materials
- Availability of labour
- Inflation
- Latent site conditions
- Scope of external works
- Authority charges

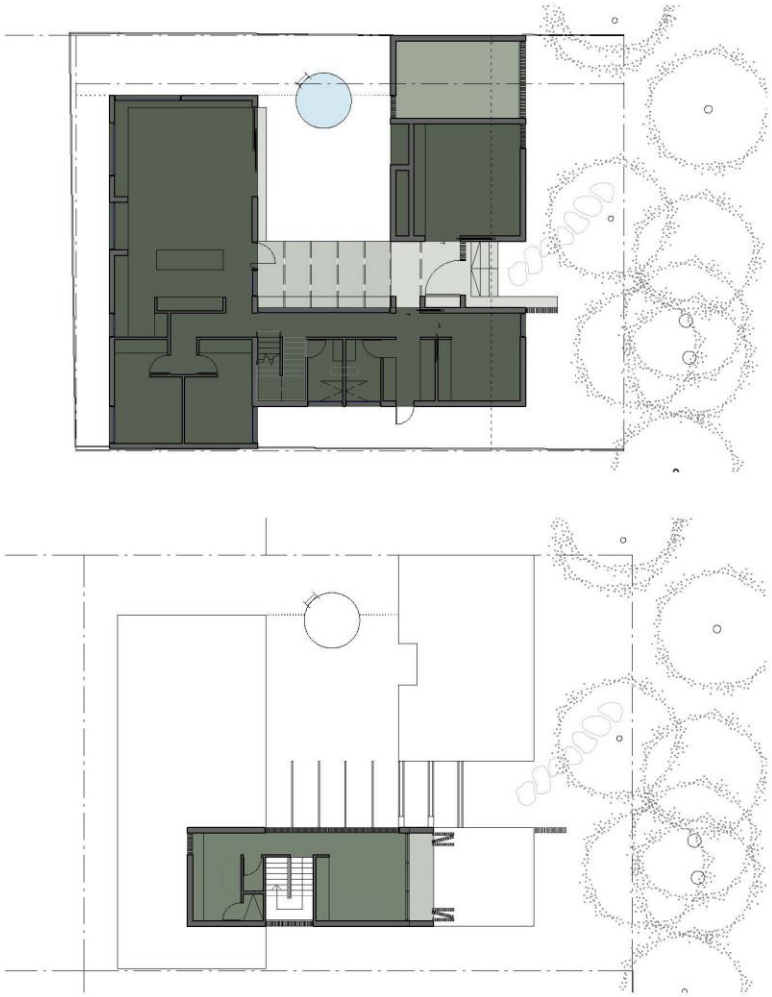
Therefore, while square-metre rates can be used as a guide Templeton strongly recommend that the client engage an independent Quantity Surveyor or a nominated builder to provide a more accurate cost estimate at successive stages of the design and documentation process, allowing corrective action to be taken if required.

These estimates exclude the following items:

- Demolition of existing building structure
- Land costs
- Interest charges and/or financing costs
- Authority and headwork charges
- Removal and relocation costs
- Authority fees and charges and/or legal fees
- External works including landscaping
- Class 'P' soil conditions (Problem site)
- Site excavation requiring removal of rock
- Removal of hazardous materials
- Escalation to construction
- Loose furniture

CALCULATIONS

	Ground Floor - New	$ 5,000	185.0 m²	$ 925,000
	First Floor - New	$ 5,500	39.5 m²	$ 217,250
	Garage	$ 2,500	24.0 m²	$ 60,000
	Balcony	$ 2,000	6.0 m²	$ 12,000
	Outdoor Dining	$ 2,000	18.0 m²	$ 36,000
	External Deck	$ 1,500	15.5 m²	$ 23,250
	Pool		Item	$ 35,000
	Landscaping			Excluded
	External Works Allowance	$ 200	430 m²	$ 86,000
	Design Contingency	5%		$ 69,725
	TOTAL CONSTRUCTION COST (TCC)	$ 3,862	248 m²	$1,464,225 + GST
	Professional Architects Fees (% of TCC)			$ -
	Other Consultant Fees	Estimate		$ -
	Construction Contingency	10%		Excluded
	GST (on above)	10%		$ 146,423
	PRELIMINARY PROJECT COST (ESTIMATE)			$1,610,650 (incl GST)



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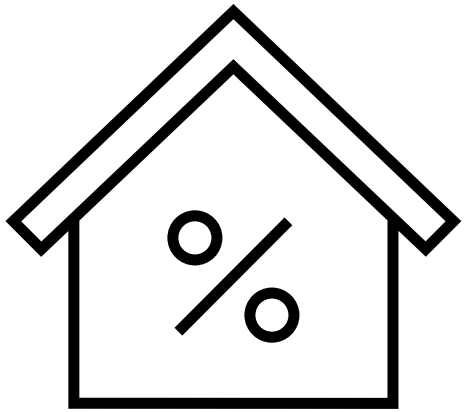
True or false: An actual client budget is better than a budget range?

Written advice

The ARBV recommends that architects, whenever they can, propose to clients in writing that they engage a quantity surveyor or costs consultant. This can be set out in your client agreement and fee disclosure.



Quantifying project costs

Methods of calculating cost of works estimates

Cost of work can be calculated using several methods, some more accurate than others. These include cost per square metre, elemental rates and bill of quantities for example. The best method will be dependent on the stage of work and information available.

Methods of calculation:

Cost per unit area
Provides a basic and mostly preliminary estimate

Elemental rates
Requires a greater level of detail and is a method used by estimators and quantity surveyors

2

True or false: The Cost Per Unit Area method is more accurate than the Elemental rate method?

ACCURATE COST OF WORK BUDGET

Depending on the project size, client budget, and/or the level of accuracy required by your client in relation to the cost of works, it may be appropriate to engage a consultant or seek early contractor involvement.

3

True or false: A Quantity Surveyor should only be used for high-end, complex projects

Architectural fees

Discussions around budgets can be more complicated when tied to our fee structure.

Typically, Architects charge fees in one of the following ways:

- Lump Sum - Based on a fixed scope of works (Fixed Fee)
- Percentage Based - Based on cost of works (Variable with changes to the cost)
- Hourly Rate - Per tasks (Variable)
- Maximum Guaranteed Price - Hourly rate with a defined cap.

Each method will raise different challenges in terms of managing the client's budget and the architect's cash flow.

Contingency sums can assist you to manage a project budget.

A contingency sum is an amount that is included in the total project cost to allow for unforeseen design or construction costs that are unknown at the time of providing the cost information.

Design contingencies are often included in the early stages of a project where the detail remains at a high level and is yet to be completely defined. A construction contingency is usually required for the duration of the project to ensure that unforeseen matters or latent conditions are accounted for in the client budget.

Contingency sums can be included in the build contract or can exist separate to it.

If it's to be included in the contract a suitable specification clause must be included. Below is an example taken from the AIA acumen practice note 'Contingency Sum':

> An example of a suitable specification clause for including the contingency sum in the contract is:
>
> The sum of _____ dollars ($____) must be included in the contract price as a provisional sum for contingencies to be expended at the sole discretion of the architect and only in accordance with written instructions from the architect. If the net total of instructions for the expenditure against the contingency sum is less than the above amount, the difference will be deducted from the contract price.

MANAGING AN INCREASING BUDGET

Managing Architectural Scope Variations

Scope Variations

Given the nature of architectural design, changes are likely to occur as you work with your client to design their project. Variations are changes to the extent or type of a service that leads to a change in the cost of the service or program for its delivery.

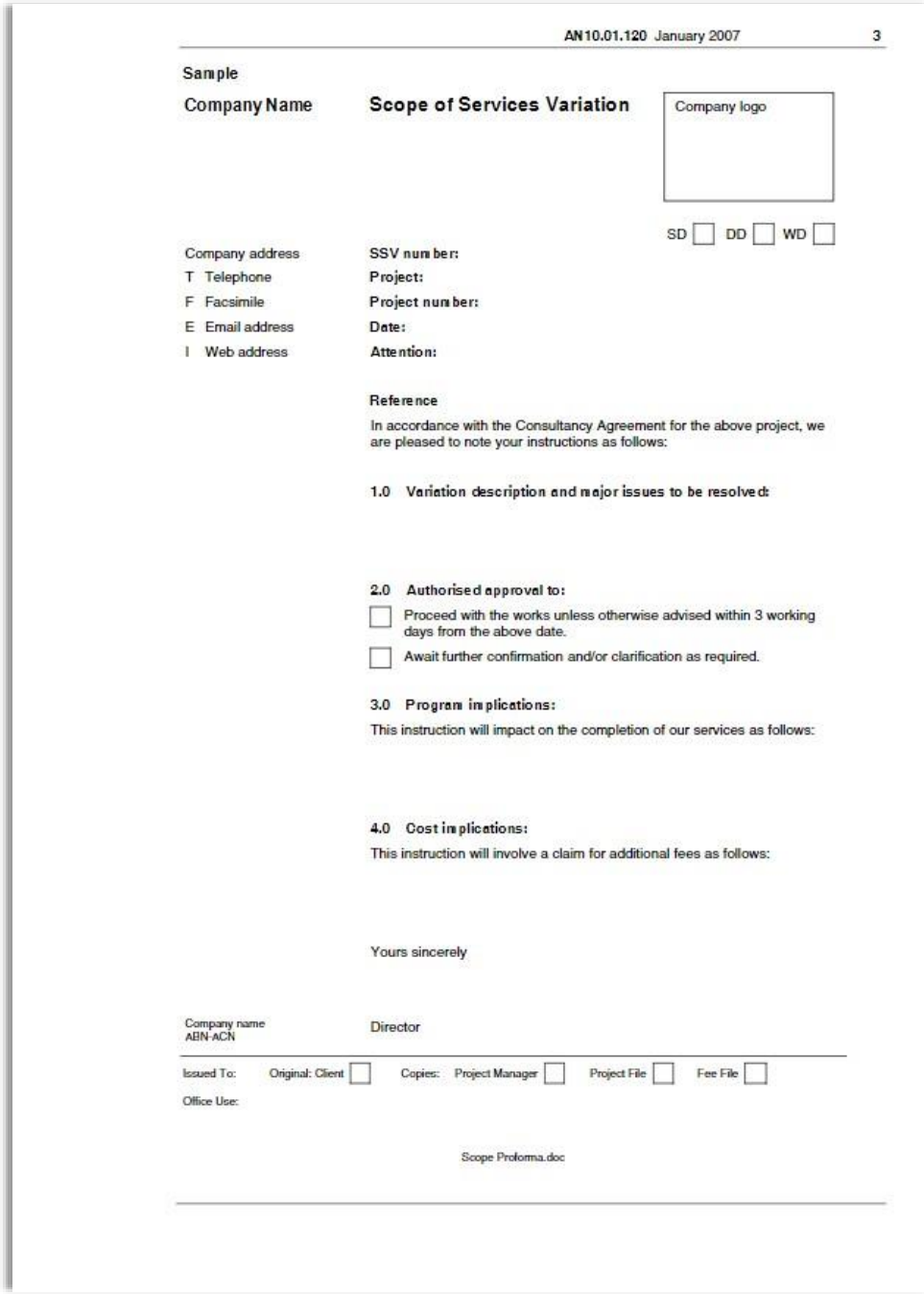
Variations can arise from:

- Client instructions;
- Authority changes;
- Third-party changes; or
- Design changes (Architect or Client driven)

MANAGING AN INCREASING BUDGET

AIA Acumen ‘Scope of Service Variation’

- Identify the variation
- Summarise the reasons for it
- Provide a fee costing or basis for future fee costing
- Advise of any programming implications
- Advise on potential budget implications
- Record the client’s approval.



AN10.01.120 January 2007 3

Sample

Company Name **Scope of Services Variation** Company logo

SD ☐ DD ☐ WD ☐

Company address
T Telephone
F Facsimile
E Email address
I Web address

SSV number:
Project:
Project number:
Date:
Attention:

Reference

In accordance with the Consultancy Agreement for the above project, we are pleased to note your instructions as follows:

1.0 Variation description and major issues to be resolved:

2.0 Authorised approval to:

☐ Proceed with the works unless otherwise advised within 3 working days from the above date.

☐ Await further confirmation and/or clarification as required.

3.0 Program implications:

This instruction will impact on the completion of our services as follows:

4.0 Cost implications:

This instruction will involve a claim for additional fees as follows:

Yours sincerely

Company name
ABN-ACN

Director

Issued To: Original: Client ☐ Copies: Project Manager ☐ Project File ☐ Fee File ☐

Office Use:

Scope Proforma.doc

4

True or false: During design development, any variation should be put in writing to the client and indicate how it will affect the costing.

MANAGING AN INCREASING BUDGET

Construction Variation

A variation is a change to the scope of work originally outlined in the contract.

The variation may be related to a latent condition, a late client request, or an architect-instigated design modification.

The variation may have a cost and time implication that requires to be tracked carefully by the Architect in their role as superintendent.

The variation may also impact the client's architect agreement regarding the architectural fee agreement.

All of which is to be managed, assessed, and documented by the architect.

Managing client expectations

Final tips

Consider your current practice around costs and think about adopting some of the following practices:

- Adopting a comprehensive Client-Architect Agreement that contains the detailed scope of services and how parties will manage variations
- Obtaining cost estimates at the end of each stage of services.
- Ensure you obtain the client's approval of the drawings and estimates before proceeding to the next stage. This should be done in writing.
- Don't avoid difficult discussions. Clear and honest verbal communication can resolve most issues.
- Provide clients with written correspondence that summarises any verbal conversations about costs
- Provide updated Architectural fee estimates when variations have caused an increase in the project cost
- Be clear with your client about the fee structure and relevant stage of work i.e. if a fixed stage is complete and hourly rates are commencing
- Sometimes you need to be the dream breaker.

Thank you

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