

Estimating, quoting and tendering

Knowing how much to charge is one skill. The ability to provide an accurate quote is another.

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FINDING NEW building work often involves preparing estimates, quotes or tenders for clients. It can be time-consuming work, and it can be costly for builders who get it wrong.

Estimates a best guess

Many clients want to know if they can afford a job before proceeding to the consent drawing stage and start by asking for an estimate. This is only a best guess at what a job will cost, based on experience.

While a builder is not bound by an estimate, it is commonly expected that the sum will be within 10-15% of the final cost, provided there is sufficient information provided. If clients have only rough

conceptual drawings, they need to be aware that an accurate estimate will be difficult to make.

Quotes are legally binding

Quotes are generally sought once the design has progressed to the completion of the detailed design phase - there has to be sufficient detail to build a quote on. A quote is the price the clients are expected to pay. Once the clients have accepted a quote, a legally binding contract has been formed, and the builder cannot charge more than allowed for in the quote.

A quote should be in writing and should include:

- the scope of the job to be done
- the time it will take to complete the job
- the materials to be used
- the hourly labour rate
- the type of contract, for example, full contract or labour only
- whether the quoted sum includes GST
- a contingent sum for the unexpected.

It is wise to build protections into the quote, for example, by allowing for variations if there are increases in the cost of materials or

labour or other matters outside the builder's reasonable control. If unexpected additional work is required, the quote could say that this will be charged for at a given hourly rate.

If subcontractors are required for the job, they should price their own work so this can be added to the quote.

There is nothing to stop a builder outlining their experience in the quote - this gives clients something to consider other than just the price.

Meeting clients, hearing more about what they want and making a careful site investigation can help provide useful background for a quote.

Tenders often for larger jobs

Like a quote, a tender is an offer to carry out a specific piece of work for a stated price. Clients prepare tender documents for the builder to prepare a price. Tenders are generally used for larger jobs and quotes for smaller jobs.

Submitted tender bids may carry tags detailing costs not included in the tendered price.

Some builders have a standard set of tags to cover things like:

- charges for inspections and consents
- no allowance for any rot repair that may arise when doing renovations
- no allowance for contract works insurance
- assumption that power and toilet will be supplied for renovations.

A good approach to tendering is to:

- only tender for jobs when a comprehensive tender can be prepared
- work with subcontractors on their submission towards the final tender
- ask questions where there is insufficient or conflicting information
- explain tags in a covering letter
- offer to discuss the tender
- be prepared to re-evaluate parts of the tender if requested
- include prime costs, provisional sums and preliminaries.

When preparing a quote or tender, builders need to make allowance for costs other than

just the known labour and building material costs.

Prime costs, provisional sums and preliminaries

A prime cost is an allowance for materials based on a builder's experience, where the material is not specified. Typical examples are finishes, tiles, taps and light fittings. If the actual cost comes in above what has been allowed for, the client pays the additional cost. If the cost comes in lower, the client only pays the actual cost.

A provisional sum is an estimated allowance for materials, labour and associated work, often by specialist subcontractors. A builder may make an allowance for kitchen cabinets based on an average market price. However, the final price from the kitchen manufacturer/installer will be based on a design and finishes agreed with the client.

The contract price is ultimately adjusted by omitting the provisional sum allowance and adding the actual expenditure, including a builder's mark-up agreed with the client.

Preliminaries are a way of covering the costs that aren't covered by labour charge-out rates or materials. The types of things that need to be priced, or identified as costs that have not been allowed for in the quote or tender, include:

- fences, gates or security patrols
- site offices
- insurance
- consents and levies
- temporary plumbing and drainage
- scaffolding
- final cleaning.

Prime costs, provisional sums and preliminaries should be clearly set out in quotes or tenders. ◀