

1 Cost Planning Procedures

1.1 Introduction

For the purposes of studying the concepts of cost planning, the cost of a building is defined as the amount the client or building owner will have to pay the contractor to have the building constructed.

Under the traditional tender system, the contractor is required to submit a quotation for constructing the building. This may be based on a schedule of quantities and allowances made for overheads and profit. Several quotations or tenders may be submitted and one such tender, probably the lowest one, will represent the cost to the building owner.

Cost planning is the process of designing to, or within, a pre-calculated cost, determined by the finances available, so as to obtain optimum value for available money, whereby a building owner obtains a building tailored to the budget. The success of a good cost plan will be measured by its similarity in both value and content to the successful tender price.

Most building owners are compelled to adopt tight financial control on all costs used in feasibility studies, if the intended revenue obtained from buildings is to be achieved. Because building costs are a substantial part of any feasibility study, it follows that a logical process of establishing a target cost at the outset of any project, and the realisation of that same cost on completion, is essential if credibility is to be maintained.

Cost planning should not be seen as a restrictive influence on the work of the designer, but as a positive, predetermined, disciplinary process, where money is consciously allocated to the various building elements or features, so as to obtain a building conforming to budget but possessing embellishments in certain areas, if so intended.

The system flow chart shown on the next page, indicates the cost planning processes related to the architectural stages of a typical project from inception through to tender. Note: the processes shown in this chart are being superseded by the 5 step process outlined under Design Documentation, [Refer to page 10-618](#).

1.2 Cost Plan Stages

Preliminary Design. The cost planning process is carried out by a quantity surveyor, in close liaison with the architect, and includes the establishment of a cost limit or budget at inception. This process proceeds on to the cost evaluation of design alternatives, construction systems and standards of finish and services pertinent to the particular project. These are then included in a preliminary cost plan, at the end of the preliminary design stage.

Developed Design. As final sketch plans are completed, the preliminary cost plan is expanded into a budget estimate and cost plan, containing separate budget costs for all the building elements, reflecting the various design inputs from the architect, structural engineer, mechanical and electrical consultants, etc. As the detail design proceeds, these cost elements are monitored and, where an element appears to be exceeding the budget, recommended remedial action is submitted to the architect by the quantity surveyor, with the object of staying within the overall budget.

Detailed Design. Usually the point of no return—the project cost is committed at this stage and can only accept major alterations at the expense of disruption to documentation activities, and resultant delays. This stage sees the final cost check in the form of a detailed pre-tender elemental estimate, followed by quantity surveyor pricing of the schedule of quantities, if commissioned. If the various stages of the cost planning activities are efficiently carried out, and close liaison and co-operation maintained with the design team, then the final outcome of tenders should conform to the established budget. The building owner can then proceed immediately to signing a contract with the builder, satisfied that all reasonable steps have been taken to ensure a good budgetary and design conclusion.