

## **Allowing for Preliminary Costs in an Estimate**

Preliminary costs are expenses that will be incurred during construction, which are directly related to the running of the project and have not been included in the materials, labour or overheads. Such expenses will be a direct result of the tender being successful, which is in contrast to overheads that are an ongoing expense regardless of a tender being successful or not.

Preliminary costs are often referred to as prelims. They are calculated individually for each project as a lump sum and added to the first cost, during the finalising of the tender.

Preliminary costs apply to all projects including those with small tender values. Ordering materials, supervising workers and attending site meetings must be taken into consideration as they contribute to the cost of the project.

Contractors pricing small jobs may determine that preliminary costs are not required to the extent outlined in this article. However, there are still some items which must be included, particularly the ordering of materials, recording of worker's timesheets and general supervision of the project. In many cases it is acceptable to include the preliminary costs as a percentage rather than a fixed cost for each item.

## **Non-Productive Labour**

A foreman's non-productive labour occurs when they are engaged in activities which have not been included in the standard rates, such as the installation of fixtures, pipes and fittings. Foremen and leading hands are in this category.

The following are examples of the types of activities that are considered non-productive and an allowance must be included:

- a) Supervision of tradespeople
- b) Ordering materials
- c) Co-ordinating with other trades
- d) Attending site meetings
- e) Lodging timesheets
- f) General administration

## **Telephone Costs**

These costs can be a preliminary cost; however mobile phones are generally covered in overheads. The precise number of calls per day are difficult to estimate, due to the number of private calls which may occur. As preliminary costs are based on an estimate only, the allowance should only include the expected overrun from the mobile phone plan.

## **Staff Facilities**

Staff facilities are required where the company is to be the head contractor, and is responsible for providing toilets, washroom and lunch facilities. The calculation is similar to that of calculating a site shed. The duration of the project, the type of facilities required and the cost per week to hire those facilities must be included.

## **Accommodation**

If living-away-from-home allowances are required for all workers on-site, they are best included in the labour cost. Alternatively, if accommodation is to be provided for the foremen on remote projects, the costs should be included in the preliminaries.

**Note: It is important to know the number of tradespeople required to complete the project at the time of tender. It will help provide accuracy for the accommodation requirements and living expenses.**

## **Tools**

Tools can be placed in two categories; the replacement cost of general tools used regularly which are included in the overheads. Hammers, spanners, stilsons, multigrips, screwdrivers, saws, etc are examples. The second category will be special tools purchased for the sole purpose of the project being tendered, these are preliminary costs. Tools in this category include electric drills, concrete drill bits, saw blades, etc.

## **Deliveries**

Quantities of materials purchased from plumbing suppliers are not always considered as "free on-site"(FOS), and the delivery fee should be included in the preliminaries. Deliveries on a regular basis from the workshop to the site during construction are considered as delivery free. The number of deliveries expected per week is estimated and in turn, the total for the project to which the standard delivery fee is applied.

## **Maintenance**

Maintenance of the project will be required for the guarantee period. The average number of call back visits per project can be established over a period of time, and to cover the cost, an allowance per visit should be included. The number of visits will vary in accordance with the size of the project being tendered.

To conclude the preliminary cost calculation, the sum of all of the above items is established. This value becomes a budget or allowance that the foreman must keep within when the project commences. The total amount is transferred to the final summary of the tender and forms part of the financial mark-up on the tender price.

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