

Building Companies Preliminary Expenses and Site Costs -Longer Version (Short Version below)

1. Overview

A building site operates like a **temporary outdoor factory**, created solely to construct a one-off product — the building.

It requires **setup, operation, supervision, and de-establishment** to produce safely and efficiently.

The total cost of running this temporary operation often exceeds any single trade.

These operational and management costs are captured under “**Preliminaries and General (P&G)**” in cost plans or builder’s quotes.

Well-structured preliminaries form the backbone of project control, legal compliance, and quality assurance.

2. Significance of Preliminaries

Preliminaries are not “extras” — they are **essential operating costs** required to legally and safely complete a project.

On many projects, they range between **11–15% of total contract cost**, and sometimes higher on complex or long-duration builds.

For context, a two-storey commercial project example recorded preliminaries exceeding **\$390,000 (≈13% of total cost)**, excluding profit.

These costs fund the infrastructure, systems, and management required to deliver the project from start to finish.

3. Why Preliminaries Cost So Much

Running a compliant, functional building site for months is comparable to operating a small business. Each project requires:

Temporary infrastructure, utilities, and safety systems.

Qualified supervision, communication channels, and documentation.

Maintenance, waste management, and protection measures.

Coordination among subcontractors and external consultants.



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4. Main Cost Drivers

Project duration: Longer timelines increase site hire, supervision, and insurance.

Site conditions: Tight, urban, multi-level, or sloped sites are more expensive to manage.

Access and logistics: Difficult deliveries, craneage, or restricted storage areas raise costs.

Weather and exposure: Seasonal conditions affect productivity and safety.

Regulatory compliance: Building Act 2004, HSWA 2015, and council inspections create ongoing administrative overheads.

Quality assurance and testing: Additional costs for documentation, inspections, and warranties.

5. Typical Preliminaries and Site Cost Items

a. Site Establishment

Site surveys, dilapidation photos, soil testing.

Temporary power, water, and telecoms connections.

Office setups: site sheds, lunchrooms, toilets, signage.

Safety measures: fencing, hoardings, edge protection, tarps.

Scaffolding, gantries, lifts, cranes, and plant hire.

Access works: temporary paths, ramps, roads, and crossings.

Site setup and demobilisation costs.

b. Insurances, Permits, and Paperwork

Project insurances (public liability, contract works).

Council fees, permits, and inspection costs.

Bank guarantees and warranties.

Documentation and administrative compliance records.

c. Running Costs (Operational Expenses)

Electricity, water, internet, consumables, waste disposal.

Security, first aid, PPE, cleaning, deliveries, and parking.

Safety management: inductions, toolbox meetings, site audits.

Progress reporting, scheduling, and daily record keeping.



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Subcontractor coordination, logistics, and traffic control.

Ongoing communication with clients, consultants, and councils.

d. Final Clean, Documentation, and Handover

Final cleaning, rubbish removal, and de-establishment.

Equipment return, bin hire, and site reinstatement.

Compilation of warranties, maintenance manuals, and as-builts.

Labeling, key sets, and final client presentation.

e. Supervision and Labour

Site supervisor, foreman, and project manager.

OH&S officer and clerk of works.

Site labourers and assistants for general duties.

Inductions, compliance reporting, and coordination meetings.

f. Overheads, Profit, and Risk

General attendance, off-site administration, and accounting.

Cashflow and financial management.

Builder's profit and contingency for unforeseen risk.

Rectification and post-completion warranty works.

6. How Preliminaries Are Priced

Preliminary costs can be determined by multiple methods depending on project type, scope, and procurement model:

Fixed (Lump Sum): For setup or administration.

Time-Based: Per hour/day/week (e.g., supervision, site hire).

Measured: Per square metre or lineal metre (e.g., cleaning, fencing).

Percentage-Based: Applied to total build cost for proportional accuracy.

Combination: Commonly used to reflect both fixed and variable cost elements.



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7. Benchmarking & Contingency

Preliminaries typically represent **11–15% of building project cost**, but may be:

- a. **Lower (3–10%)** for civil or infrastructure projects with longer durations and simpler logistics.
- b. **Higher (15–20%)** for tight sites, high compliance projects, or short-term builds with heavy setup costs.

Always include **contingency** for unforeseen risks such as:

- c. Extended weather downtime or unplanned shutdowns.
- d. Regulatory or inspection delays.
- e. Extended equipment hire or material delivery issues.

Treat preliminaries as **live costs** — monitor and adjust throughout the project rather than setting them once at tender stage.

8. Clarity and Dispute Avoidance

Many disputes arise because preliminaries are vaguely defined or inconsistently priced.

Ensure every item is **clearly described, quantified, and justified** within the tender or contract documentation.

Establish a consistent **preliminaries protocol** within the company's cost templates (recommended by NZIQS).

Clear definition protects both the contractor and the client, ensuring transparency and fair cost allocation.

9. Contract Type and Procurement Impact

Preliminaries behave differently under various procurement models:

- a. **Traditional tendering:** Builder bears prelim cost within lump sum.
- b. **Design & Build:** Prelims may be spread over design and construction stages.
- c. **Cost-plus or ECI:** Prelims often tracked transparently as reimbursable items.

In small-scale or renovation projects, preliminaries are often proportionally higher due to short duration but high setup overheads.

Align prelim structures with NZS 3910:2013 and project-specific contract conditions.



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10. Quality Assurance and Compliance

Increasingly, quality assurance is a major prelim component:

- a. Testing, inspections, and certification.
- b. Documentation for PS3/PS4, CCC applications, and LBP sign-offs.
- c. Safety audits and environmental compliance (SWMS, Erosion & Sediment Control, etc.).

These ensure durability and legal conformity with Building Act 2004 requirements.

11. Key Takeaways

Preliminaries are **critical to project success** — not just a cost allowance.

They ensure safety, compliance, efficiency, and accountability.

Accurate and transparent preliminaries improve budgeting and client confidence.

Benchmark against known percentage ranges but tailor to your **specific site, scope, and contract type**.

Keep preliminaries **well-documented, monitored, and updated** throughout the project.

For NZ builders, referencing **MBIE guidelines, NZS 3910, and HSWA 2015** ensures alignment with local compliance standards.

12. In summary:

Well-managed preliminaries underpin professional construction delivery. They bridge planning and execution, transforming a bare site into a safe, compliant, and efficient workspace — the foundation of every successful build.