



GUIDANCE NOTE

# **CONSTRUCTION FINANCING REPORTS**

2<sup>nd</sup> EDITION



AUSTRALIAN  
INSTITUTE OF  
QUANTITY  
SURVEYORS

2<sup>nd</sup> edition published July 2019  
ISBN 978-1-876389-39-0

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## **BACKGROUND**

### **PURPOSE**

The purpose of this Guidance Note is to create a uniform scope of service and clarify the quantity surveyor's role in providing Construction Cost management services to both the Financier(s) and developer. This Guidance Note does not purport to be a comprehensive description of the law and members should obtain independent legal advice.

### **STATUS OF GUIDANCE NOTES**

Guidance Notes are intended to embody recognised 'good practice' and therefore may provide some professional support if properly applied. While they are not mandatory, it is likely that they will serve as a comparative measure of the level of performance of a Member. They are an integral part of Construction Cost Standards Manual.

Where an allegation of professional negligence is made against a member of the Australian Institute of Quantity Surveyors (AIQS), a court or tribunal may take into consideration any relevant guidance notes published by the AIQS in determining whether the member acted with reasonable competence.

Where a member is the subject of a complaint which has been lodged in accordance with the AIQS Complaints Policy, a Complaints Committee or Appeals Tribunal may take into consideration compliance with relevant guidance notes and any reasons for departure.

### **APPLICATION**

As part of a debt funding agreement between a developer and financial institution there is often a requirement for a quantity surveyor to represent, review and oversee the financing of a project on behalf of the Financier(s).

The quantity surveyor's role in delivering Construction Cost management services is to;

- ensure all risks associated with the project are identified and mitigating strategies developed and documented

- assist Financiers with their due diligence process, identifying deficiencies in documentation
- undertake due diligence on behalf of the Financier
- provide accurate and timely financial reporting in accordance with the Financier's instructions
- establish the scope and any limitations associated with this service
- represent the Financier's interest.

Typically, an Initial Report and subsequent Progress Reports are undertaken by the quantity surveyor, in accordance with the Financier's instructions. The quantity surveyor is to provide construction financing reports in accordance with this Guidance Note unless the financing institutions instructions (Brief) stipulate otherwise.

The quantity surveyor's reports are to be provided to the appointing financial institution only, unless the financial institution has provided a Release in writing for the report(s) to be made available to third parties.

Pertinent definitions are included at the back of this Guidance Note.

## **MINIMUM REQUIREMENTS OF THE QUANTITY SURVEYOR**

### **EXPERIENCE**

The preparation and delivery of reports to financial institutions, acting as the Financier's representative, should be undertaken by a Corporate member of the Australian Institute of Quantity Surveyors (AIQS), holding the designation of Certified Quantity Surveyor (CQS).

Any employees undertaking this service must be supervised by a suitably experienced corporate member.

### **PROFESSIONAL INDEMNITY INSURANCE LEVELS**

To ensure that appropriate, and not excessive, levels of professional indemnity insurance are called for, the AIQS recommend the following levels of coverage:



Construction Cost (excluding GST)	Level of PI
\$ 0 – 5m	\$ 1 m
\$ 5.01m - \$10m	\$ 3m
\$ 10.m +	\$ 5m

Or as required by the Financier.

### **CONFLICTS OF INTEREST**

Any conflicts of interest (real, potential, or perceived) such as previous involvement in the project or other services being provided for the developer should be disclosed immediately to the financial institution. These should not necessarily preclude the quantity surveyor from undertaking their role unless they are of a nature which may in practice or in perception prevent the quantity surveyor from acting on behalf of the financial institution in an independent manner. Where the quantity surveyor has a dual role, different Directors within the quantity surveyor’s company should sign-off on the different role reports.

### **LIMITATION OF SERVICE**

Recognising that while the quantity surveyor is an expert in Construction Costs, they may not be experts in quality of workmanship or programming, and therefore, should limit their comments to areas in which they are competent to do so. Notwithstanding this, the quantity surveyor should make observations with regards to workmanship and programming based on their level experience.

It is not the role of the quantity surveyor to provide an opinion pertaining to the value of the site or the expected realisation of the development.

The insurances provided by the parties are to be included in the report, with the quantity surveyor providing comment on the appropriateness or otherwise of these insurances.

### **GOODS AND SERVICES TAX (GST)**

All figures provided in reports should be GST exclusive.

### **INITIAL REPORT**

The initial or prefunding report allows the Financier to verify that the project has been properly established by way of authority approvals, a Building Contract, Construction Cost, total Development Cost, Builder’s capability, project insurances, completeness of design, consultant’s professional indemnity insurance, Development Cost, program, positioning on title and environmental considerations. The Initial Report by addressing each of these criteria allows the Financier to reconcile against conditions precedent to funding.

### **EXECUTIVE SUMMARY**

The quantity surveyor should provide an overview of the project, identifying any actual and/or potential outstanding issues, risks, problems and any limitations. This should also include a summary of outstanding information and / or any non-conforming issues.

### **REPORT IDENTIFICATION**

The report should identify the project by street address and real property address (Lot & DP or Folio Identifier). It should also list the developer and note that the report has been prepared for a named financial institution and should not be used/ relied on by any other party without formal written approval from the named financial institution. The quantity surveyor should identify the source of any information included in the report.

### **ASSUMPTIONS AND EXCLUSIONS**

The quantity surveyor should ensure that a comprehensive list of all assumptions and exclusions which they rely upon are contained within any report prepared by the quantity surveyor. These items should be reviewed by the Financier in association with the quantity surveyor to ensure that the Financier understands and accepts them.

### **LIMITATIONS OF REPORT**

The quantity surveyor’s report should be limited to the party for whom it is prepared for. The report





should not be disclosed to any other party without the quantity surveyor's and / or Financier's authority and should not be relied upon by another party.

*Key issues:*

The quantity surveyor should be cognisant of the following:

- the report should be as comprehensive as the information allows. Where there are gaps or contradictions in the information then this should be noted in the report and brought to the Financier's attention
- it is important that the quantity surveyor understands that for them to prepare a comprehensive report efficiently they require all the information in a timely manner. The Financier should also understand that where information is not readily forthcoming, then the time taken to prepare the report may increase (as may the quantity surveyor's fee)
- Disclaimer Clauses and Qualification Statements.

## **SITE DESCRIPTION**

A basic written description of the subject site should be provided noting any physical features. This should be based on both a review of available documentation and a site visit.

*Key issues:*

The quantity surveyor should include notations on:

- description of access, unusual features, is there an existing building, is it opposite a freeway, is the site steep or sloping, what is the land use surrounding the site (e.g. is it in a residential area), liable to contaminate the site, and the like which could affect the cost of construction
- date of site visit – the quantity surveyor should visit the site for the Initial Report
- the availability of infrastructure services
- any site features that may hinder the efficient delivery of the building.

## **PROJECT DESCRIPTION**

A basic description of the project should be given

in the quantity surveyor's report outlining the basic parameters of the project such as areas, number of units, number of stories, number of carparking spaces etc. The level of detail should be enough for anyone reading the report to be able to identify the type, scale and nature of the project.

*Key issues:*

A good description is critical and should address the following:

- description of the scale of project
- areas – GFA, FECA, UCA
- functional areas
- building fabric & finishes
- unit mix (if applicable)
- ingress / egress to the site and building during construction.

## **PLANS AND SPECIFICATIONS**

### **DOCUMENTATION**

The documents used to prepare the cost verification and Initial Report should be listed. If there are many documents these can be included as an appendix rather than in the body of the report. The quantity surveyor should state whether the documents they used are the same as those the Builder priced on. Variances between these documents and those used for obtaining approvals should be noted and commented on accordingly.

Any documents used to obtain local authority approvals should be provided including a copy of the stamped set.

*Key issues:*

The quantity surveyor should:

- comment on completeness of documentation
- note any design risk
- note any design documentation and assess any inconsistencies
- highlight the existence of any imported materials
- note any prefabricated works.



## DESIGN CERTIFICATION

It is important that the quantity surveyor obtain, and references within the Initial Report, copies of all relevant Statutory Authority Approvals, including (but not limited to);

- structural engineer's certification
- architect's documents in accordance with Statutory Authority Approvals
- architect's documents reflecting pre-sale contracts designs.

and provide confirmation, or otherwise, that the plans contained within any sales documents are consistent with those approved by the relevant council and form the basis upon which the Building Contract is agreed.

## LAND SURVEYOR CERTIFICATION

The quantity surveyor should ensure that the Licensed Land Surveyor's Certification;

- confirms site boundaries are defined
- confirms that proposed development is positioned correctly on site, and there are no encroachments
- confirms that the set-out conforms to/with the planning approval.

## LOCAL AUTHORITIES AND APPROVALS

*The quantity surveyor should review all local authority approvals required in the jurisdiction of the subject property, including (but not limited to) all Development Approvals, Construction Consents, road authority approvals, electricity supply approvals, and local water supply authority approvals.*

*Key issues:*

The quantity surveyor should:

- confirm any pre-construction conditions
- include a schedule of all approvals and their details
- note any onerous conditions
- note any statutory commencement and completion dates

- confirm which conditions have been satisfied
- provide planning matrix if available
- confirm Land Surveyor Certification.

## TOTAL DEVELOPMENT COST (INCLUDING SOFT COSTS)

In detailing the total Development Costs, the quantity surveyor should;

- ensure a measured and priced estimate for the Construction Cost is in place
- List Development Costs
- comment on allowances and recommend allowances where applicable
- comment on any 'missing' allowance
- confirm any local government (Council) levies and approvals are included
- comment on any government regulatory requirements (e.g. NSW Dept. Fair Trading Strata Building Bond Scheme).

The quantity surveyor should also identify any works excluded under the Contract and make provision for same in other Development Costs. The total Development Costs, with the identified budget items, should be set out in a tabular format, with the Funding Table to be verified with the Financier.

## CONSTRUCTION COST VERIFICATION

For a cost verification, the quantity surveyor should undertake an estimate to a level of detail commensurate with the level of detail contained within the Building Contract documents. This should include, where possible, comparisons on a trade basis with the Builder's tender. Any significant variance with the Builder's tender and the construction contract should be highlighted and discussed with the parties.

*Key issues:*

In verifying the Construction Cost, the quantity surveyor should:

- where available, compare the Builder's price with other tenders received





- identify any Value Management items included in the Builder's price
- comment on any exclusions noted in the Builder's tender and whether these items should be allowed for elsewhere, or not
- comment on items specifically excluded from Builder's tender scope to be provided by others
- compare the Contract Sum with other benchmark projects of similar size and nature
- list any Prime Costs and Provisional Sums, and comment on the appropriateness of the allowances
- note any potential budget overruns
- undertake and include a proper measured and priced estimate (not metre square rates)
- benchmark against similar projects (that the quantity surveyor has worked on), and include a statement addressing how this project compares to other projects similar in size and nature
- identify Client supply items and implications to the contract
- verify costings and stage of costings, particularly where these are front loaded
- for Owner-builder projects, confirm the level of trade lettings to-date and whether margin is, or is not, included.

## **CONTINGENCY**

In determining the level of contingency, the quantity surveyor should take into consideration;

- the certainty of the Construction Cost
- the level and completeness contract documentation
- completeness of other Development Costs
- any other special risks identified.

## **CONSTRUCTION/BUILDING CONTRACT, SUPERINTENDENT & INSURANCES**

A review of the Construction/Building Contract should be made.

The quantity surveyor should comment on the contents of the construction/Building Contract(s), including details of the Contract Sum, parties noted, programme, contract documents, Liquidated Damages, performance securities provided and any other items likely to be of interest to the financial institution should be noted.

It is important for the quantity surveyor to ensure that the construction documentation being relied upon are fully executed documents. If fully executed documents are not available, then comment to this effect needs to be included in the Initial Report.

*Key issues:*

The quantity surveyor should:

- note the type of contract and comment on its suitability for the proposed project
- confirm the contract conditions are reasonable and make recommendations where they are not considered reasonable
- comment on risk allocation of Latent Conditions
- comment on the limited liability of the Builder
- confirm bank guarantees provided as performance security are unconditional and with no expiry, and subject to Financier's acceptance
- confirm date for Practical Completion is achievable and identify buffer against earliest presale / lease sunset date.

## **SUPERINTENDENT**

The Initial Report should identify who the Contract Superintendent is and outline their contractual role.

*Key issues:*

The quantity surveyor's Initial Report should:

- verify the independence of the Contract Superintendent
- comment on the Superintendent's experience
- note any previous experience with the Superintendent
- include a Conflict of Interest Statement, provided by the Superintendent, including any past or present relationship with the Builder
- note any termination clauses and/or conditions.



## INSURANCES

The quantity surveyor should obtain construction insurances where a Builder has already been engaged. These insurances should include Professional Indemnity (where there is a design component), Contract Works, Public Liability and Workers Compensation insurances. The public liability and all Works policies should note the Financier as an interested party.

*Key issues:*

The quantity surveyor should:

- ensure that insurances are listed together detailing; cover, underwriter, broker and expiry date
- confirm that Contract Works Insurance is site specific
- confirm the insurances are in line with the Building Contract
- comment on the level of coverage and make recommendations if coverage is inadequate.

## TRI-PARTITE AGREEMENTS

The quantity surveyor should request a copy of any Tri-Partite Agreements to identify the parties to the agreement and determine whether the Tri-Partite Agreement(s) conforms with the Building Contract. While this compliance should generally be undertaken by the Financier's legal team, the quantity surveyor should review the Tri-Partite Agreement(s) for technical requirements.

The quantity surveyor should identify their role under any Tri-Partite arrangement(s).

## DEVELOPER CAPABILITY

The quantity surveyor should identify any known or perceived risk associated with the project developer.

## BUILDER/CONTRACTOR CAPABILITY

The quantity surveyor should address the Builder's capability to deliver the project.

*Key issues:*

In addressing the Builder's capability to deliver the project, the quantity surveyor should;

- note the Builder's performance security
- note the Builder's Work-In-Progress and capacity to undertake the project considering existing commitments
- note the Builder's margin (if known)
- note the Builder's licence and registrations, comment on appropriateness of class, and note whether the Builder has been subject to any regulatory disciplinary action
- comment on previous experience with the Builder and provide a list of similar projects completed
- provide commentary around commitments and capability of the Builder's major sub-contractors
- assess the Builder's allocated construction and management personnel and comment on experience
- enquire if the Head Contractor has any Reverse Factoring arrangements for the subject project, and any other current projects, and the extent of those Reverse Factoring arrangements.

## PROGRAMME

The quantity surveyor should review and comment on the construction and development programmes.

In addition, the quantity surveyor should also review the programme with regard to sunset clauses in pre-sale and / or lease contracts, including any penalty clauses in lease agreements, where possible.

*Key issues:*

The quantity surveyor should:

- comment on inclement weather allowance
- confirm Date for Practical Completion and any Separable Portion Dates are noted in the Building Contract, and reflected in the programme
- confirm dates in the bullet point above are achievable when measured against Planning approval commencement and completion dates.

## CASHFLOW

The quantity surveyor should review and comment on the Builders' construction cashflow, particularly



how it relates to the development program. The quantity surveyor's report should include;

- an extrapolation of the cashflow against the construction programme
- their own cashflow and comment on how it compares with the Builder's
- note any anomalies in the Builder's cashflow.

## **CONSULTANTS**

All consultants engaged by the developer should be noted. Copies of the professional indemnity insurance policies of the main consultants such as the architect, structural engineer, civil engineer, certifier, Building Code of Australia consultant and the like should be obtained by way of Certificate of Currency.

If they have not been provided, then a comment to that effect should be made in the Initial Report.

*Key issues:*

The quantity surveyor's report should include:

- a schedule of consultants and their professional indemnity insurance presented in a tabular format
- comment on any experience the quantity surveyor has had with any of the consultants on previous projects
- comment on the suitability of the professional indemnity insurance held by the Consultants, and confirmation that they are in line with the Building Contract.

## **GEOTECHNICAL REPORT**

The quantity surveyor should obtain and review the Geotechnical Report, noting any conditions that should be considered by the design engineers' in their designs, and comment on any risks identified in the Geotechnical Report. In addition, the quantity surveyor should note whether the investigation undertaken for the Geotechnical Report is adequate for the project.

*Key issues:*

In reviewing the Geotechnical Report, the quantity surveyor should confirm whether;

- the Geotechnical Reports are draft or final

- the structural design reflects any conditions that should be taken into consideration
- the Construction Cost estimate allows for any advice noted in the Geotechnical Report
- Overlays (map in a council planning scheme showing the location and extent of special features such as Heritage, Environmental, Bushfire Management, and Flooding etc)
- Latent Conditions are likely, based on the Geotechnical Report and experience in surrounding developments.

## **ENVIRONMENTAL REPORT**

The quantity surveyor should confirm whether an Environmental Report is required for Development Approval. If so, this should be reviewed in conjunction with other design documentation and Statutory Authority Approvals.

The quantity surveyor is to note the Environmental Report and advise whether there are any contamination issues associated with the development site and comment on any other risks identified in the Environmental Report. If contamination is identified, note whether remediation costs have been included in the Development Costs.

Commentary on environmental aspects is only to be provided if the Executive Summary identifies any issues, otherwise state there are no environmental issues or no Environmental Report was available at this time.

*Key issues:*

In reviewing the Environmental Report, the quantity surveyor should confirm whether;

- the Environmental Reports are draft or final
- the structural design reflects any conditions that should be taken into consideration (e.g. structure will need to meet earthquake requirements or withstand intense heat in bushfires)
- the Construction Cost estimate allows for any advice noted in the reports
- Overlays (map in a council planning scheme showing the location and extent of special features such as Heritage, Environmental, Bushfire Management, and Flooding etc)



- the Planning Approval requires an Environmental Report
- an Environmental Certificate is required together with any 'completion by' requirements under the planning permit;

and provide commentary in respect of any Environmental Management Plan in place or to be implemented.

### **ADJACENT PROPERTIES**

The quantity surveyor should review any agreements with adjacent properties, noting any easements and rights of way.

*Key issues:*

The quantity surveyor should:

- obtain a copy of any adjoining owner(s) consent
- seek and note any formal legal agreements
- seek and note any protection notices required
- identify and describe any structural support for adjoining properties
- identify potential issues with the adjoining owner(s)
- identify environmental considerations which may impact adjoining properties.

### **PRE-SALES AND AGREEMENTS FOR LEASE**

The quantity surveyor should review and comment on any pro-forma pre-sale agreements and agreements for lease in conjunction with the construction contract. Attention should be paid to aspects such as sunset clauses with the programme and any specifications noted in sales contracts compared to the construction contract. Any variances or issues should be highlighted.

*Key issues:*

The quantity surveyor should:

- confirm whether the plans and areas contained within the sales contract(s) conform to the plans upon which the Building Contract is based
- reconcile contract specifications with pre-sales
- identify any sunset clauses.

### **VALUERS REPORT**

Where required, a valuers' report should be provided, and the quantity surveyor should review this for any comments on quality and materials and compare these to the construction documents. Where a Valuer's Report has been provided, check whether the Construction Cost used by the valuer is in line with the recommended construction budget.

### **OTHER MATTERS**

The quantity surveyor should note:

- remote location accessibility issues
- identifiable political issues
- requirement for any Specialised Development Approvals.

### **RISK MANAGEMENT**

The quantity surveyor should:

- subject to any of the foregoing matters in this Guidance Note, identify all potential risks which could affect the delivery of the project
- highlight any strengths and weaknesses of the project which should be included in the report summary
- identify any exclusions forming part of the works which need to be allowed for elsewhere (part of developers' costs).

### **REPORT DATE**

Include the date of the inspection and the date the Initial Report is signed.

### **APPENDICES**

Append any actual Reports and Certificates received. These could include:

- verification estimate
- list of plans and specifications
- authority approvals issued, including stamped plans
- Building Contract
- copies of bank guarantees as performance security



- Builder's registration
- project insurances certificates of currency
- list of consultants
- certificates of currency of consultant's professional indemnity insurance
- Land Surveyor's certification and plan
- Geotechnical Report
- Environmental Report.

### **DIRECTOR SIGN-OFF**

Quality Assurance within the quantity surveyor's practice should be reported on, including;

- person who prepared the report (Should be a CQS)
- person who reviewed the report (Should be a CQS)
- person who signed the report (Should be a CQS).

### **PROGRESS REPORT**

#### **EXECUTIVE SUMMARY**

The quantity surveyor should summarise the status of the project and works completed for the month, including key matters identified in the Progress Report. The summary should note;

- amount of the Builder's Progress Claim
- amount of the quantity surveyor's Certification and any difference against the Builder's Progress Claim
- amount of other Development Costs recommended
- when payment is due under the Contract
- any new risks which may have arisen during construction
- whether certification has been agreed with the Builder.

To include a summary of outstanding information and / or any non-conforming issues.

*Key issues:*

The quantity surveyor should include commentary covering:

- exclusions

- assumptions
- outstanding items
- other significant features included in the Progress Report
- any matter potentially impacting the project.

### **REPORT IDENTIFICATION**

All quantity surveyor reports should be referenced and numbered for easy identification. This should also include the date of preparation.

*Key issues:*

The quantity surveyor should include commentary covering:

- date of issue
- report version
- claim period
- date of Builder's claim
- commentary on status of construction
- identity of the person who conducted the site inspection and the date of the inspection
- identity of person preparing the Progress Report
- identity of person who reviewed the Progress Report
- identity of the Director/Manager who signed the Progress Report.

### **ASSUMPTIONS AND EXCLUSIONS**

Any assumptions or exclusions, which may present a risk to the Financier should be listed and reviewed in consultation with the Financier.

### **LIMITATIONS OF REPORTS**

Any issues which may limit the report should be listed and reviewed in consultation with the Financier.

The quantity surveyor should clearly state the limits of the Progress Report, so the Financier can understand the risks contained within the report.



## PROGRESS CLAIMS AND DRAWDOWN REQUESTS

Progress claims are assessed by the quantity surveyor, and the quantity surveyor's certification is the basis of drawdown requests and funding by a Financier. Progress claim assessments should be made in accordance with the facility and drawdown reports made by the quantity surveyor. These should be based on claims by the Builder and development expenditure claimed by the developer.

*Key issues:*

In undertaking a Progress Claim, the quantity surveyor should

- note the adjusted Contract Sum
- identify the value of works completed
- identify any unfixed materials (if permitted by contract and the Financier for inclusion)
- note the amount previously valued
- assess the current valuation
- assess the current valuation of the Builder's claim
- ensure all certificates for completed work have been received
- note the date of the site visit
- assess and agree the Progress Claim(s) with the Builder in accordance with the applicable Security of Payment Act timeline
- exclude all works beyond the staged Building Permit
- exclude unsecured unfixed material (where acceptable performance security has not been provided).

## PROGRESS PAYMENT CERTIFICATES

The quantity surveyor should issue a Progress Payment Certificate, not make a recommendation (to the Financier).

## COST TO COMPLETE

Any report on the cost to complete should be based on the premise that the original contractor will be completing the works.

The Cost to Complete should be reported in the following tabular format;

*(See table 1 - Cost to Complete on References, page 17)*

*Key issues:*

The quantity surveyor should provide commentary on (amongst other things):

- cost of works to complete
- whether there is sufficient funding available to complete the works
- percentage of trades letting (from the Initial Report)
- any Builder payment statutory declarations.

All items to be assessed on a cost to complete basis. Where the Cost-to-Complete exceeds the funding facility, the developer will need to provide funding prior to the Financier making any further payments.

## CONTRACT SUM ADJUSTMENTS

Contract Sum Adjustments should be defined as:

1. "Approved Variations",
2. "Unapproved Variation Claims, or
3. "Potential Variations".

Variations will include Provisional Sum Adjustments.

*Key issues:*

The quantity surveyor should provide comment on:

- whether the variations exceed the agreed variation thresholds as per the tripartite agreement
- any new approved and pending variations each month
- Potential Variations
- pending variations
- Provisional Sum Adjustments
- other development work variations.

## UNFIXED MATERIALS

Unfixed materials should only be included with the agreement of the Financier and in compliance with the





construction contract. If the Financier agrees to unfixed materials, the quantity surveyor should confirm;

- insurance cover for the value of the goods, with the Financier named as an Interested Party
- any unfixed materials are identified and included in the contract
- the transfer of ownership of material
- materials are labelled as being the property of the developer
- the goods are appropriately secured
- any undertaking in the form of an unconditional bank guarantee will need to have the Principal listed as a beneficiary.

If the contract does not address any of these issues, the quantity surveyor should include a note to that effect in the Progress Report.

## **CONTINGENCY**

As the Financier may adopt a different contingency level to that recommended by the quantity surveyor, ensure the reported contingency budget is aligned to the final funding table.

*Key issues:*

The quantity surveyor should make a note in the Progress Report on:

- amount of contingency used
- whether remaining contingency is sufficient and make recommendation if not sufficient
- percent of Cost-to-Complete.

## **SITE OBSERVATIONS**

This should include an objective statement in respect of the progress of the works with relevant photos.

The quantity surveyor should provide commentary with respect to site activity and the quality of the work (including noting any Work Method Statements), any unsafe work practices, and any change in key site personnel and site-specific industrial activity.

## **PROGRAMME**

A regular review of programme should be made and any departures from this should be reported. Particularly, where the departure will lead to a delayed completion which could affect sale contracts or lease agreements.

*Key issues:*

The Progress Report should include programme commentary by the quantity surveyor advising;

- time to complete
- forecast Completion Date (Builder's and quantity surveyor's independent forecast)
- effect on sales contracts and lease agreements
- approved and pending Extension of Time (EoT) - Adjusted Date for Practical Completion
- adjusted project completion dates
- suitability of revised programme (if applicable)
- "Net Programme" and "Gross Programme"
- provide commentary on completion programme status
- contingency or "delay" allowance to be included in programme
- whether the programme is back-to-back with contract
- whether the programme is detailed enough to identify key milestone dates
- actual cashflow against performance.

The quantity surveyor should provide an opinion only, with respect to the forecast Project Completion date (Noting that the quantity surveyor does not hold themselves out as an expert in construction programming).

Where a sub-consultant construction programmer is required to provide commentary on the development programme and whether the contracted timeframe will be met, the quantity surveyor should make an allowance for such.



## CASHFLOW

To ascertain percentage of works completed against percentage of time lapsed as an indication of status with progress (works vs time).

*Key issues:*

The quantity surveyor should:

- comment on how the Builder is tracking against their original cashflow, and also against the quantity surveyor's forecast cashflow
- ensure the Cashflow does not include variations
- provide an updated cashflow table (Actual and forecast expenditure).

## BANK GUARANTEE SCHEDULE (WHERE REQUIRED)

Where applicable the quantity surveyor should list the bank guarantee's, including;

- Builder's Security, and
- security for unsecured and offsite material.

## INSURANCES TABLE

Builder's and Consultants insurances should be reviewed monthly to ensure that they have not expired. Where they have lapsed, Certificates of Currency should be obtained prior to issuing a drawdown report.

The types of insurances required include Professional Indemnity / Liability / Workcover (where the contract is design and construct), public liability and all works contract insurances.

*Key issues:*

The quantity surveyor's report should:

- identify Insurance levels
- note expiry dates
- provide Insurances in a table format
- ensure Financier's interest is noted on Builder's Contract Works and Public Liability insurance.

The schedule of insurances for the Builder and any Consultants should be reported in the following tabular format;

*(See table 2 - Insurances Table on References, page 17)*

## LICENCES AND REGISTRATIONS

The quantity surveyor should ensure the Builder's licence and registration are current (Expiry dates to be identified).

## CONFORMITY OF CONSTRUCTION WORKS TO DATE

The quantity surveyor should obtain a copy of all relevant compliance certificates from consultants, including;

- building certificates
- structural engineering certificates
- civil engineering certificates
- practical completion
- certificates of compliance.

## DESIGN COMPLIANCE (INCLUDING CONSULTANT STATEMENT)

Where required by Financier's, this should include a schedule of works compliance, or quality assurance, by way of consultant statements from Architects, Structural, Servicers, and Fire Engineers, that works have been completed in accordance with the Building Contract and authority approvals.

## LOCAL AUTHORITIES AND APPROVALS

The quantity surveyor should identify all required local authority approvals in format, similar to the one below, and attach as appendices;

### PLANNING PERMIT

We have received a copy of the following Planning Permit for the project (refer Appendix \_\_).

*(See table 3 - Planning Permit on References, page 17)*

There are \_\_\_ No. conditions attached to the Permit. We do not believe any of these conditions are unusual for a project of this nature. If any unusual conditions these must be listed. If any conditions would be considered standard but have a cost implication, recommended to list these.



We have requested but not yet received the Stamped for Approval drawings issued with the Planning Permit. We will include in our Cost to Complete reports when made available.

### ENDORSED DRAWINGS

We have received a copy of the following stamped for Approval drawings (refer Appendix \_\_).

- Town Planning drawings prepared by \_\_\_ dated \_\_\_

OR

We have requested but not yet received the Stamped for Approval drawings issued with the Planning Permit. We will include in our Cost to Complete reports when made available.

The Contract documents are generally in line with the planning permit.

*(If Town Planning drawings differ to Contract drawings, make a note).*

### PERMITS

We have received a copy of the following Building Permit(s) for the project (refer Appendix \_\_).

*(See table 4 - Permits on References, page 17)*

To include all permits, including demolition permit if applicable.

OR

We have requested but not received a copy of the Building Permit. We will attach copy/ies of Building Permit/s as they become available in our monthly Financial Reports.

In our opinion receipt of a Building Permit should be a condition precedent to the first drawdown.

### PLAN OF SUBDIVISION

We have received a copy of the Plan of Subdivision and to the best of our review we believe the Contract documents are in line with the Plan of Subdivision as issued to <insert name of quantity surveying company>.

### LAND SURVEYORS CERTIFICATE

We have received a copy of the Land Surveyor's Certificate identifying;

- boundaries of the land being developed
- location of each building or structure on the land
- existing contours of the land.

### CERTIFICATE OF TITLE

We have received a copy of the Certificate of Title for the site stating \_\_\_\_\_ Pty Ltd as the proprietor of the subject property.

*Key issues:*

The quantity surveyor should;

- comment on progress, or site vs permit approval stage
- provide updates on Construction Cost verification at each Progress Claim.

### STATUTORY DECLARATION (FOR WAGES AND PAYMENTS)

An appropriate wages and payments Statutory Declaration (from authorised company representatives) should be obtained from the Builder, sub-contractors, and suppliers, prior to any drawdown certification being completed.

Should the Builder default on any payments, the Financier may end up having to make the payments to maintain progress on the project

*Key issues:*

The quantity surveyor should:

- verify all wages and payments for which the Builder is liable for and due, have been made, and obtain a copy of the Builder's Statutory Declaration in respect of this
- where a construction management agreement is in place, be conscious of the consequences of obtaining tax invoices from all the sub-contractors
- check that all payments are in compliance with the applicable Security of Payment Act legislation



- ascertain whether the Head Contractor has established an external working capital Financier, such as Reverse Factoring, arrangement for the subject project, and any other current projects. Confirmation that the Head Contractor has project Financier consent, and the extent and terms of any such arrangement should be obtained.

## **OTHER MATTERS**

The quantity surveyor should comment on amendments and/or updates to any Tri-Partite Agreements, and advise on any variation thresholds, delays, or extensions of time.

Should the quantity surveyor believe that aspects of the project are outside their area of expertise they should engage appropriate additional assistance including programmers, architects and the like. This is particularly relevant for large complex projects.

## **CHECKLIST**

*(See table 5 - Checklist on References, page 17)*

## **APPENDICES**

Append any actual Reports and Certificates received. These could include;

- payment certificate
- local Authority Approvals
- variation summary
- copies of bank guarantees for unfixed materials
- Builder's program
- any updated certificates of currency for insurance
- builder's statutory declaration in respect to payments
- consultant's sign off in respect to the works completed to date
- relevant site photos.

## **NOTES**

### **VARIATIONS**

Variations are not always required to be assessed by the quantity surveyor acting as the Financier's representative. Where they are required, the quantity surveyor should ensure they have allowed for this within their fees or covered them by hourly rates.

Variations are usually required to be funded from the contingency and the quantity surveyor should be monitoring the contingencies expenditure and commitments.

The quantity surveyor should check to see if the threshold of any Tri-Partite Agreement(s) have been met.

### **ADDITIONAL REQUIREMENTS FOR BUILDER DEVELOPERS AND CONSTRUCTION MANAGEMENT PROCUREMENT**

In the situation where the project is being undertaken by a Builder-developer or under a construction manager agreement, more rigor is required by the quantity surveyor who should be auditing the sub-contract arrangements and valuing these.

### **PROCUREMENT SCHEDULES AND PROGRAMME**

The quantity surveyor should be cognisant of the provisions of the relevant Security of Payments Act.

### **SUB-CONTRACT INSURANCES**

Where a construction management agreement is in place, public liability and all works insurances should be obtained from all sub-contractors. It is the construction manager's responsibility to ensure these are on-hand for review by the quantity surveyor.



## **REFERENCES**

TABLE 1 - COST TO COMPLETE

Item	Agreed Budget	Forecast Cost	Expenditure Previous	Expenditure to Date	Expenditure this Month	Cost to Complete

TABLE 2 - INSURANCES TABLE

Insurance Type	Amount Insured	Underwriter	Broker	Expiry Date

TABLE 3 - PLANNING PERMIT

Council	Planning Permit No.	Issue Date	Commencement Date	Expiry Date

TABLE 4 - PERMITS

Permit For	Building Permit No.	Issue Date	Commencement Date	Expiry Date

TABLE 5 - CHECKLIST

Item	Date	(By Whom) - Person
Site inspected		
Report prepared		
Quality & assurance checking		
Director sign-off		



## DEFINITIONS

<b>Approved Variations</b>	those changes approved and agreed by the Superintendent under the Building Contract
<b>Builder</b>	includes any Developer, Builder, Owner-Builder, Principal Contractor, Contractor
<b>Builder's Security</b>	provision of bank guarantees and the like to "secure" performance of a party's obligations. Typically, these are provided by contractors (or subcontractors) "upstream" to assure performance of construction and defects obligations, as well as in circumstances where there has been pre-payment for long lead items or where materials paid for by the Principal Contractor are being stored off-site.
<b>Building Contract</b>	A contract between an owner or occupier of land and a Builder, setting forth the terms under which construction is to be carried out, basis of remuneration, time scale, and penalties, if any, for failure to comply with terms of the contract.
<b>Client</b>	the Developer undertaking the project by way of the Building Contract integral with acquired finance from a Financier
<b>Construction Cost</b>	means Construction Costs properly incurred or to be incurred by the Developer under the Building Contract to achieve practical completion including all Prime Costs, Provisional Sums and variations (forecasted, pending and Approved Variations).
<b>Contract Sum</b>	the stated cost to complete the works by the Builder under the Building Contract
<b>Contract Superintendent</b>	the nominated party under the Building Contract to administer the Contract to ensure satisfactory completion of the works.
<b>Contract Works Insurance</b>	insurance of the works as required under the Building Contract.
<b>Development Cost</b>	all present and estimated costs necessary to complete the Works and achieve Practical Completion of the Project, as amended from time to time, but not limited to: <ol style="list-style-type: none"><li>land</li><li>land acquisition costs and associated expenses</li><li>demolition and/or site clearance/remediation (if applicable)</li><li>Construction Costs</li><li>contingency</li><li>consultant fees</li><li>project management fee</li><li>council contributions</li><li>authority fees and charges</li><li>open space contribution (if applicable)</li><li>legal costs</li><li>holding costs</li><li>rates and taxes</li><li>selling and marketing costs</li><li>selling commission</li><li>fitout costs</li><li>furniture fittings &amp; equipment (if applicable)</li><li>finance costs (application and establishment fees)</li><li>interest capitalisation (if applicable).</li></ol>





<b>Environmental Certificate</b>	a certificate or statement of environmental audit by an independent auditor in respect to any environment condition and the change in use of the land integral with the proposed development.
<b>Environmental Report</b>	the site investigation report in respect to any possible contamination or hazardous materials involved with the subject property undertaken by an accredited environmental consultant.
<b>Financier</b>	the entity providing funding to the Client which allows the Client to undertake the project to completion.
<b>Gross Programme</b>	Construction Programme for works <i>including</i> allowances for wet weather and unforeseen circumstances.
<b>Initial Report</b>	the first or prefunding report prepared by the quantity surveyor which verify the proper establishment of the project and deals with authority approvals, Building Contract, Builder capability, insurances, consultants, consultant's professional indemnity insurance, environmental and land surveyor's certification. The report allows the Financier to reconcile these project requirements to conditions precedent to funding.
<b>Land Surveyor Certification</b>	a certificate and plan of survey by the Land surveyor which confirms that the development is properly on the identified property and that there are no encroachments.
<b>Latent Conditions</b>	means physical conditions on or below the site and its near surrounds, including artificial things (but excluding weather conditions or physical conditions which are a consequence of weather conditions), which differ materially from the physical conditions which should reasonably have been anticipated by a competent Builder at the time of the Builder's tender had a competent contractor inspected: <ol style="list-style-type: none"><li>all written information made available by the Principal to the Builder for the purpose of tendering</li><li>all information influencing the risk allocation in the Builder's tender and reasonably obtainable by the making of reasonable enquiries</li><li>the site and its near surrounds, made available prior to or at the time of tender.</li></ol>
<b>Liquidated Damages</b>	the mechanism through which one party can claim monetary compensation for loss or damage that occurs as a result of the other party's failure to deliver the works, goods or services under the contract on time.
<b>Nett Programme</b>	Construction Programme for works <i>excluding</i> allowances for wet weather and unforeseen circumstances.
<b>Overlays</b>	separate planning and development policy and guidelines affecting a property which allow Councils to achieve their desired outcomes integral with a development.
<b>Prime Costs</b>	specified costs as part of the Building Contract that are net of labour, overheads and profit.
<b>Principal</b>	the person/company conducting the business or undertaking that commissioned the construction project.



## **DEFINITIONS (CONTINUED)**

<b>Potential Variations</b>	possible variations under Building Contract which have not been committed to as yet.
<b>Progress Payment Certificate</b>	the periodic payment certificate by the quantity surveyor or Superintendent as an assessment of the work completed to date to effect the progress payment to the Builder.
<b>Progress Report</b>	the ongoing report usually provided monthly by the quantity surveyor which allows the Financier to make a funding assessment and to provide funding to the Client. The Progress Report usually equates to the required payment to the Builder under the Building Contract.
<b>Provisional Sum Adjustments</b>	the actual cost adjustments for the defined works against the allowance for that Provisional Sum under the Building Contract.
<b>Provisional Sums</b>	specified costs as part of the Building Contract that are inclusive of material, labour, overheads and profit.
<b>Release</b>	the Financier's approval in respect to the Initial Report and Progress Report being used by a third party.
<b>Reverse Factoring</b>	is when a finance company, such as a bank, interposes itself between a company and its suppliers and commits to pay the company's invoices to the suppliers at an accelerated rate in exchange for a discount.
<b>Security of Payment Act</b>	ACT Building and Construction Industry (Security of Payment) Act 2009 NSW Building and Construction Industry Security of Payment Act 1999 No 46 NT Construction Contracts (Security of Payments) Act 2014 QLD Building and Construction Industry Payments Act 2004 SA Building and Construction Industry Security of Payment Act 2009 TAS Building and Construction Industry Security of Payment Act 2009 VIC Building and Construction Industry Security of Payment Act 2002 WA Construction Contracts Act 2004  And their associated Regulations
<b>Soft Costs</b>	those Development Costs necessary to deliver the development outside the cost of the land and Construction Costs. These typically include; professional fees, Statutory Authority fees, Council levies, land costs, etc.
<b>Specialised Development Approvals</b>	the specific Development or Planning Approvals issued by Council to allow the development to be undertaken.
<b>Statutory Authority Approvals</b>	all approvals by the relevant authorities necessary to undertake a development. The required approvals encompass development and building approvals together with approvals by utility authorities.

**Superintendent** Person who represents the owner or Principal and administers the contract terms and conditions.

**Unapproved Variation Claims** those claims made by the Builder in accordance with the Building Contract which have yet to be approved by the Superintendent.

**Value Management** the process usually undertaken during the design documentation process which is an effort to effect a more economical design and buildability to reduce the Development Cost. The process can be undertaken with the Builder as prelude to entering into the Building Contract.

**Work-In-Progress** the work being conducted by the Builder under the Building Contract to complete the project.

