



Estimating the value of building work

This Industry Bulletin provides guidance on estimating the value of building work for the purposes of submitting a building permit application.

Schedule 2 of the Building Regulations 2012 (the Regulations), sets out the prescribed fee for a certified and an uncertified application for a building permit. The fee for a building permit application is based on a percentage of the estimated value of building work. Schedule 1 of the Regulations sets out the relevant components to be included in that value (see table below).

It is the responsibility of the applicant for a building permit (including a person acting as agent for the owner) to provide the estimated value of building work for which a building permit is required. That value is an important indicator for property values and prospective purchasers, insurance and economic and statistical data.

The permit authority has a role in ascertaining whether the estimated value given is reasonably accurate as this assists in determining prescribed fees and levies that must accompany the application.

Value of building work

The estimated value of building work is determined most commonly through the established contract price that includes all the relevant components and the goods and services tax (GST). If there is no contract, or the building work is under a contract for which the price doesn't include the value of the relevant components, the estimated value of the work is the sum of the value of the relevant components.

Relevant component	Explanation
All goods	Includes manufactured goods forming part of the work.
Labour	Takes into account that trades and/or labour costs can vary depending on market fluctuations, location and availability. The labour component should also include the cost of professional advice relating to design, certification, engineering etc. Even if the labour was unpaid, because it is a self-build project, the value may be calculated on a reasonable market rate for work of that kind.
Services necessary	For example, gas, plumbing, water connection, water tanks (if not connected to mains water), on-site sewage treatment (if not connected to mains sewer), electricity and telecommunications.
Fees payable	Include all fees relevant to the application.
Overheads to be met	Generally, a relevant proportion of the costs associated with running a business, such as owning tools and machinery, office costs (such as secretarial services), accounting and management costs and insurance should be included in the estimation.
Profit margin	The amount of profit expected to be made from the building work which may vary depending on the circumstances.

For guidance on costs and valuations you may refer to relevant (and recognised) construction and building cost publications or industry developed estimating software packages.

Estimated value of variations

Clause 2(2) of Schedule 1 of the Regulations provides for variations in the contract price that may arise during construction after a building permit has been granted.

Where a variation is proposed to an existing building permit, then the estimated value of building work is for the proposed variation only.

For example, an existing building permit has a contract value of \$200,000 and proposed variations of \$10,000 during construction will increase the contract value. Despite the overall contract value increasing to \$210,000, the estimated value for the variations is only \$10,000.

Transportable and relocated buildings

Transportable buildings do not require a building permit to be manufactured in a factory or stored in the sales yard. However, each new location of a transportable building generally requires a building permit (including relocating a building on the same property) if it is proposed to be used as a building.

New transportable buildings

The estimated value of building work for new transportable buildings installed or constructed on-site for the first time includes the cost of:

- a) the new transportable building;
- b) delivery; site works; footings; fixing in situ;
- c) any other extensions/additions and associated incidental structures; and
- d) connection to services, etc.

Relocating an existing building

Where an existing building is on-sold and will be relocated elsewhere by the new owner, it is generally acceptable to estimate the value of the building work inclusive of:

- the amount paid for that building;
- any additional costs for complying with the applicable building standards under regulation 31D of the Regulations; and
- the cost of items b), c) and d) outlined above.

Applicants may need to satisfy the relevant permit authority as to the building's value by providing documentary evidence of its purchase.

Ownership of a relocated building is unchanged

If an owner intends to relocate a building (that is, relocating a building on the same property, or on another property), the estimated value of the building work does not include the cost of the building. All other costs remain as per "Relocating an existing building" above.

Disclaimer

The information contained in this bulletin is provided as general information only and should not be relied upon as legal advice or as an accurate statement of the relevant legislation provisions. If you are uncertain as to your legal obligations you should obtain independent legal advice.

January 2017