



Cautionary Note 8

Managing client's expectations in regard to project costs

A recent disciplinary case has thrown into sharp relief a fundamental point that all architects need to be aware of. The case is also important in that the NZRAB Board has established a precedent that it will follow in the future, reflecting concern about architects' lack of monitoring of project costs, particularly during the design and documentation phases of projects.

An architect, who was the subject of a complaint, has been found to have undertaken architectural services with a lack of due care and diligence, in that he failed to:

- ensure the design was reasonably within the client's budget
- draw to the client's attention the design would exceed significantly the client's budget
- manage the client's expectations.

The architect had agreed at the time of commission for a house alteration that the client would obtain the estimate of cost and subsequently get builders to price the work. Design drawings were presented and paid for. Documents for construction and building consent were prepared, and a building consent was obtained. However, when the clients obtained builders' prices for the work, they were way over the agreed budget. This was to such an extent that the project could not proceed.

This is not an isolated case. The NZRAB, and also the NZIA, are regularly being approached with similar complaints.

The NZRAB Board is of the opinion that where a client agrees to obtain an estimate of cost at stages of a project, from either a quantity surveyor or alternatively a builder(s) and/or managing the procurement/pricing phase, this does not absolve an architect from taking due care and exercising diligence in ensuring that the concept designs are reasonably within the client's expectations, as reflected in the agreed budget, or advise clients that they are not. Nor does it absolve an architect from taking due care and exercising diligence in ensuring that on-going design development is not significantly exceeding the client's budget. While obtaining cost estimates is a deliverable that can be transferred to the client, managing the client's expectations in regard to budget cannot be.

To meet the architect's ethical obligations and, regardless of the terms of appointment, on these matters, the NZRAB Board identifies a number of aspects of service that a reasonably competent registered architect must undertake in providing the architect's services and managing a client's expectation in regard to budget, including but not limited to:

1. establishing the scope of the client's budget and whether it is inclusive of all project costs including various fees and GST
2. advising how realistic the client's budget figure is and if suggesting a revised budget figure ensuring that figure is realistic
3. ensuring subsequent and revised figures clearly define what is or is not included (unless this information is provided by others)
4. ensuring clients understand the different types of cost estimates available and that these will contain margins of error
5. providing sufficient information, in the form of an outline specification or notations on drawings, that would enable an estimate of cost appropriate to the design stage (if the estimate is required)
6. advising that a project budget should include a contingency for unforeseen items
7. providing a concept/preliminary design that could reasonably be achieved for the budget, or where proposals extend the original scope of work advise the likely budget implications (i.e. minimal or significant)
8. providing cost information, including consultant costs expended, in a timely manner and promptly when requested
9. when project cost information is provided for other parties, i.e. consultants or on a Building Consent application, ensuring that information is accurate and well informed (obtained from those responsible for estimates).

While neglecting any one or two of these aspects might be considered an ethical oversight with minimal impact on the client relationship, an architect who competently addresses all or most of these aspects should be able to successfully manage a client's expectations in regard to budget. Also the architect would then have reasonable grounds to defend their actions should a complaint of this type be made.

A handwritten signature in black ink, appearing to read 'Warwick Bell'.

Warwick Bell

Chair

20 March 2017

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