

Built Environment Professional Services –
Project Management Framework Contract Fee Calculation Methodology



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Project Management Services

The basic fee for normal services in the field of construction project management, pertaining to building projects, is calculated using the percentage mentioned against the *cost of the works* contained in the following table:

Cost Bracket	From (Rands)	To (Rands)	Primary Fee (Rands)	Plus Secondary Fee	
				Add %	For Value Over
1	0	10 000 000	10 000	6.35%	0
2	10 000 000	20 000 000	645 000	5.72%	10,000,000
3	20 000 000	40 000 000	1 217 000	5.14%	20,000,000
4	40 000 000	80 000 000	2 245 000	4.63%	40,000,000
5	80 000 000	160 000 000	4 097 000	4.07%	80,000,000
6	160 000 000	320 000 000	7 353 000	3.58%	160,000,000
7	320 000 000	640 000 000	13 081 000	3.08%	320,000,000
8	640 000 000	1 280 000 000	22 937 000	2.65%	640,000,000
9	1 280 000 000	2 560 000 000	39 897 000	2.28%	1,280,000,000
10	2 560 000 000	And Above	69 081 000	1.96%	2,560,000,000

Step 1:

derive the BFP as follows by identifying the section in fee table within which the cost of construction representing the works which require cost management services falls and identify the values in columns C and D which correspond to that section.

Assuming cost of construction of R50 million, cost bracket 4 of the fee table would apply:

Cost Bracket	From (Rands)	To (Rands)	Primary Fee (Rands)	Plus Secondary Fee	
				Add %	For Value Over
4	40 000 000	80 000 000	2 245 000	4.63%	40,000,000

Step 2: Calculate the fee by adding the Primary Fee as per the fee table to the product of the construction cost balance over R40 000 000 and the Secondary Fee percentage value identified divided by 100

$$\begin{aligned}\text{Fee} &= \text{R}2\,245\,000 + ((\text{R}50\,000\,000 - \text{R}40\,000\,000) \times 4.63 \div 100) \\ &= \text{R}2\,245\,000 + \text{R}463\,000 \\ &= \text{R}2\,708\,000\end{aligned}$$

Step 3: Divide the fee calculated in **Step 2** by the cost of construction and multiply by 100

$$\begin{aligned}\text{Basic Fee Percentage} &= \text{R}2\,708\,000 \div \text{R}50\,000\,000 \times 100 \\ &= 5.416\%\end{aligned}$$

Step 4: Calculate final fee percentage in accordance with the following formula

$$\text{Final Fee Percentage} = \text{BFP} \times \text{FLE} \times (\text{Rate } 2 \div 16) \times \text{FCON}$$

where

$$\begin{aligned}\text{BFP} &= 5.416 \quad \text{as calculated in Step 3} \\ \text{FLE} &= 1.0 \quad \text{as constrained by tender} \\ \text{Rate } 2 &= 13 \quad \text{as per example tender offer} \\ \text{FCON} &= 0.9 \quad \text{as per example tender offer}\end{aligned}$$

$$\begin{aligned}\text{Final Fee Percentage} &= \text{BFP} \times \text{FLE} \times (\text{Rate } 2 \div 16) \times \text{FCON} \\ &= 5.416 \times 1.0 \times (13 \div 16) \times 0.9 \\ &= 5.416 \times 1.0 \times (0.8125) \times 0.9 \\ &= 3.960\end{aligned}$$

Step 5: Calculate final fee value in accordance with the following formula

$$\begin{aligned}\text{Final Fee Value} &= \text{Final Fee Percentage} \times \text{Cost of Construction} \\ &= (3.960 \div 100) \times \text{R}50\,000\,000 \\ &= \text{R}1\,980\,000 \text{ EXCLUDING VAT}\end{aligned}$$