

Contract Variations: A Guide for Homeowners

For sudden changes in the construction work to be done, better make contract variations immediately. It will save you from the trouble of a contract or construction dispute.

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What is a Contract Variation?

A contract variation is a change or adjustment to what has already been agreed to in the construction contract.

These include a change in the amount or cost of works, an increase or decrease in the work needed to be done, and changes to the scope of works.

Contract variations may be either instructed by the client, or proposed by the builder; but they must always be agreed upon by both parties. They should also be put into writing, whether the proposed changes pertain to the way things are done, the quality of work, or the costs.

Causes of Variations

There are several reasons why variations happen.

Variations may be caused by a council requirement or by unforeseen circumstances. They may also be caused by the builder or tradesperson's fault - in which case, you won't need to pay to rectify the defects or fix the problem.

Variations may also be caused by the homeowner's request - as when they think of adding something to the building works after they'd already signed the construction contract.

Here are some specific examples:

Situation #1 - A homeowner requests the builder to do additional work after realizing that the house may need another window.

Situation #2 - A head contractor sees that some of the contractors' work overlap; so the former decides to change the scope of works to better suit the contractors' designated tasks.

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Situation #3 - A builder decides to change the quality of paint to be used for a paint job, because of a change of preference.

Situation #4 - Sudden temperature changes that cause changes to the project site, leading to cost adjustments.

Situation #5 - Supply chain issues, shortage of materials, and ever changing costs of construction materials that affect the prices stated in the contract.

Nevertheless, regardless of the reason for the variations, they must be made in writing, and agreed to by both parties, before implementation.

Types of Variations

As a homeowner, you can request for Variations from your builder for any of these reasons:

- Change in the quantity of work;
- Change in the quality of work;
- Change in the costs for the work to be done;
- Change on how to do the work, and;
- Change in the latent condition and risk allocation of the construction project.

It would be better to raise these concerns as early as possible. If you raise these things late, the builder might not be able to do it immediately, thus delaying the work progress. On top of that, the builder may need additional payment for any new tasks needed in the construction.

How to Document Contract Variations

The steps/process of making a Variations request typically involve:

1. Documenting the proposed changes in writing.
2. Sending it to the other party.
3. Having the other party agree to it by signing.

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Don't forget to include important details including the work description, its technical specifications, and any additional costs if any.

Make sure to always check the Variations clause in your contract before making a proposal, because there may be requirements specific to the type of contract you have - whether it's HIA, Master Builders, or Fair Trading.

In any case, what matters is that you and the builder both agree to the proposed changes. That is what will make the Variations valid, thereby forestalling any building dispute.

When Can Variations Claims in Construction Be Made

Variations generally involve price changes, and they usually result in an increase in costs. As a homeowner, you may reasonably expect the builder to notify you as soon as they become aware of anything that might constitute a Variation.

On the flipside, builders are advised to notify the homeowner of their claim to Extension of Time (as a variation or change in scope of works normally causes delay), and an adjustment to the contract price.

You may reasonably expect that once the builder completes the work, they may already claim payment for the Variations, subject of course, to the specificities in your contract.

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