

Understanding Prime Cost Items: A Guide for NSW Homeowners

Are you a homeowner reading your homebuilding contract and struggling to understand the technical jargon and concepts in your construction contract? You're not alone, so do not worry. It is common to feel overwhelmed and confused by the legalese used in [construction contracts](#). Prime cost items will be the focus of this article, as they are a common source of uncertainty in building contracts.

What are Prime Cost Items?

Prime Cost (PC) items are allowances for the supply of goods in the contract price. They are typically used for items that are yet to be finalised, such as kitchen appliances, bathroom fixtures, door hardware, and electrical points. The contract will state each PC item amount, which includes the allowance of the item. However, the actual cost of the item may vary, and if it does, the contract price may need to be adjusted.

Examples of Prime Cost Items

Here are some examples of prime cost items you may come across in your building contract:

- Kitchen appliances such as cooktops and ovens
- Bathroom fixtures and fittings such as taps, basins, and toilets
- Door hardware
- Floor finishes including tiles, floorboards, and carpet.
- Electrical points

What Items Should be Priced in PC Sums?

PC sums should include the cost of each item. Allowance costs such as work or material and labour allowance. There should be no express allowance for the builder's margin because this is included in the contract price. The provisional allowance comprises part of the contract price. This is the usual course where the selection is within the allowance price.

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When Does a Prime Cost Item Become a Variation?

If a major change is made to the nature and extent of a PC item, it may no longer be considered a PC item and instead be treated as a variation. A [variation](#) is a change to the original scope of work in the contract, and it must be documented and agreed to by both parties. For example, if you initially agreed to a PC item for an electric cooktop but later decide you want a gas cooktop instead, this would likely be considered a variation. The builder would need to provide you with a cost estimate for the new cooktop and associated installation costs, and you would need to agree to the new cost before work could proceed.

What Is Included In a Prime Cost Sum?

A prime cost sum (PCS) or prime cost allowance is the amount of money that is allowed for all the PC items in the contract. It is important to note that the PCS is not a separate item that the homeowner is required to pay for. This should be an allowance that is included in the contract price.

It would be ideal for owners if the contract expressly specifies that the prime cost work allows for all labour for the installation work.

Prime Cost Items Schedule

The prime cost items schedule is an important part of your building contract. It's a document that lists all of the PC items included in your contract, along with their estimated costs.

The schedule should also specify what kind of items are included and any limitations or exclusions that apply. Make sure you review the prime cost items schedule carefully and ask your builder for clarification on any items that are unclear or missing.

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Components of Prime Cost Items

A prime cost item typically includes the following components:

1. The allowance amount of each material item.
2. Description of the type of material.
3. Clarification as to any applicable GST
4. Any other relevant details, such as whether or not installation costs are included. Allowance or materials allowance.
5. The Builder's margin for costs that exceed the allowance.
6. The formula for calculating PC items.

What is The Difference Between a PC Item and a Provisional Sum?

A provisional sum (PS) is similar to a PC item in that it's an allowance for items or work that have not yet been fully specified or that cannot be allowed for at the time of signing the contract. However, the main difference is that a provisional sum includes both the supply and installation of the item, whereas a PC item only covers the supply of the item. The cost of a PS includes both the item and the builder's labour costs.

PC items and provisional sums are both forms of allowances in [building contracts](#). Builders commonly interchange the use of these works, but doing so increases the prospect of dispute. Make sure you understand which items in your contract are PC items and which are PSs, as they will be priced differently.

Ideally, you should not have any provisional sums or prime cost work in your building contract.

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Conclusion

In conclusion, understanding PC items is crucial for any homeowner entering into a building contract. Knowing what they are, what should be priced in PC sums, when they become a variation, and the differences between PC items and provisional sums can help you make informed decisions and avoid costly disputes down the road.

If you're a NSW homeowner who's currently dealing with [building disputes](#) involving prime cost items, it's crucial to understand your rights and obligations.

By seeking expert legal advice from a [construction lawyer](#), you can get the support and guidance you need to navigate through the complexities of the construction industry. Don't hesitate to contact a construction lawyer for a confidential consultation and let them help you protect your rights and interests.

This article is general information. You should get professional advice for your particular situation.

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