

# Prime Cost Items and Provisional Sum Items in Residential Building Contracts

Building a new home or undertaking a renovation can be an exciting time, but navigating the world of [building contracts](#) can be overwhelming. One of the most important aspects of any building contract is understanding the role of prime cost items and provisional sum items. In this comprehensive guide, we'll define these terms, explain their significance in building contracts, and provide tips on how to manage them effectively. Whether you're a homeowner or a builder, understanding these items is crucial to [avoiding disputes](#) and achieving a successful project outcome.

## What are Prime Cost Items?

[Prime cost items](#) (PC items) are items that have not been selected or priced at the time a building contract is signed. Instead, the builder provides an allowance in the contract price for the supply and delivery of the item. The purpose of PC items is to allow flexibility for the homeowner in selecting fixtures, fittings, and finishes that suit their style and budget.

Examples of PC items include kitchen appliances, bathroom fixtures, flooring, and lighting. The allowance for each PC item is typically based on the builder's estimate of the cost of the item at the time of [contract signing](#).

While PC items can provide flexibility for homeowners, there are potential risks and pitfalls to consider. For example, if a homeowner selects an item that exceeds the PC item allowance, they will be responsible for paying the additional cost. In addition, if a homeowner does not select a PC item before a certain stage in the construction process, the builder may choose the item on their behalf.

To manage PC items effectively, it's important to calculate the allowance for each item accurately and to review and update the allowance throughout the construction process if necessary. Homeowners should also work closely with their builder and keep detailed records of their selections and costs. By taking these steps, homeowners can ensure that they stay within their budget and avoid disputes with their builder.

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## What are Provisional Sum Items?

[Provisional sum items](#) (PS items) are similar to prime cost items in that they are allowances made in the contract for items that have not been selected or priced at the time of signing. However, PS items differ from PC items in that they are intended to cover the cost of items that are not yet known, such as unforeseen site works or design changes.

Examples of PS items include excavation and site preparation, soil testing, and council fees. The allowance for each PS item is typically based on the builder's estimate of the cost of the item at the time of contract signing.

While PS items can provide flexibility for homeowners, there are potential risks and pitfalls to consider. For example, if the actual cost of a PS item exceeds the allowance made in the contract, the homeowner will be responsible for paying the additional cost. In addition, if the builder underestimates the cost of a PS item, they may seek to recoup the cost from the homeowner at a later stage.

To manage PS items effectively, it's important to calculate the allowance for each item accurately and to review and update the allowance throughout the construction process if necessary. Homeowners should also work closely with their builder and keep detailed records of their selections and costs. By taking these steps, homeowners can ensure that they stay within their budget and avoid disputes with their builder.

## Key Differences between Prime Cost Items and Provisional Sum Items

While prime cost items (PC items) and provisional sum items (PS items) are similar in that they are allowances made in a building contract for items that have not been selected or priced, there are key differences between the two.

PC items are typically used for items that the homeowner can select, such as fixtures, fittings, and finishes, while PS items are used for items that are not yet known, such as unforeseen site works or design changes.

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The impact of these items on building project timelines and budgets can also differ. With PC items, the homeowner is responsible for selecting and purchasing the items within the allocated allowance. In contrast, with PS items, the builder is responsible for completing the work within the allocated allowance.

To identify PC items and PS items in building contracts, it's important to review the contract carefully and ensure that each item is clearly identified and allocated a specific allowance. Homeowners should also work closely with their builder to understand the scope of work included in the contract and the potential impact of PC items and PS items on project timelines and budgets.

#### Related Contents:

- [What are Prime Cost Items?](#)
- [What are Provisional Sum Items?](#)

## Best Practices for Managing Prime Cost Items and Provisional Sum Items in Building Contracts

Managing prime cost items (PC items) and provisional sum items (PS items) effectively is crucial to ensuring that building projects are completed on time and within budget. Here are some best practices to consider:

1. **Review the contract carefully:** Before signing a building contract, review it carefully to ensure that each PC item and PS item is clearly identified and allocated a specific allowance. If there is any confusion or ambiguity, seek clarification from your builder.
2. **Keep accurate records:** Maintain detailed records of all PC items and PS items, including the items selected, their cost, and any variations made throughout the construction process. This will help to avoid disputes with your builder and ensure that you stay within your budget.
3. **Communicate regularly with your builder:** Keep your builder informed of any changes or updates to your selections and budget, and ask for regular updates on the progress of the project.

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4. **Negotiate contracts carefully:** When negotiating contracts that include PC items and PS items, be sure to negotiate the allowances carefully and consider the potential impact of these items on your budget and timeline.
5. **Avoid disputes:** If a dispute arises related to PC items or PS items, seek to resolve the issue through negotiation or mediation before escalating the matter to legal action.

By following these best practices, homeowners can effectively manage PC items and PS items in building contracts and avoid disputes with their builder.

**Related Content:** [Risks of a Fixed-Price Building Contract In NSW](#)

## Legal Considerations for Prime Cost Items and Provisional Sum Items in Building Contracts

While prime cost items (PC items) and provisional sum items (PS items) can be useful for managing building projects, they can also lead to legal disputes between homeowners and builders. Here are some legal considerations to keep in mind:

1. **Ensure that the contract is clear:** To avoid disputes related to PC items and PS items, it's important to ensure that the building contract is clear and specific. The contract should clearly identify each PC item and PS item and allocate a specific allowance for each.
2. **Seek legal advice if needed:** If a dispute arises related to PC items or PS items, seek legal advice as soon as possible. A lawyer can help to interpret the contract and advise on your legal rights and options.
3. **Negotiate changes carefully:** If you need to make changes to the contract, negotiate them carefully and ensure that they are documented in writing. This will help to avoid disputes related to changes in scope or cost.
4. **Keep accurate records:** Maintain accurate records of all PC items and PS items, including any variations made throughout the construction process. This will help to resolve disputes and ensure that you stay within your budget.

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Common legal issues that arise in relation to PC items and PS items include disputes over the cost and quality of items, disagreements over the allocation of allowances, and claims of incomplete work or delays in completion. By understanding these legal considerations and following best practices for managing PC items and PS items, homeowners can minimize the risk of legal disputes and ensure that their building projects are completed successfully.

## Conclusion

Prime cost items (PC items) and provisional sum items (PS items) are important components of building contracts that can have a significant impact on project timelines and budgets. It is crucial for both homeowners and builders to have a clear understanding of these items and how to manage them effectively. Throughout this article, we've discussed the definition of PC items and PS items, the key differences between them, best practices for managing them, and legal considerations to keep in mind. By following these recommendations, homeowners and builders can minimize the risk of disputes and ensure the successful completion of building projects.

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