Contract variations

Variations to the contract may be additions or deductions of work. These are requested by the proprietor via the architect. The builder is obliged to carry out any variation issued unless there is a very good reason.

It is essential to have the client approve the value of the proposed variation before work commences. Not only is this commercially advisable, but it is also helpful to the proprietor to know the financial impact of the added or deducted work before any work commences.
Contract variations

Sequence of events

Receive a request for a variation quotation
Prepare a quotation for the variation
Receive the acceptance of the variation quotation
Receive the instruction to proceed with the variation
Carry out the variation
Include the claim for payment on the next progress claim

*Note: don’t leave the claim for payment until the end of the job*
Contract variations

Costing a variation

The costs are determined according to the contract conditions. You may or may not be entitled to add overhead and profit. Some contracts allow a set percentage for the costing or processing of a variation.

The time frame for the administration of a variation is contained in the conditions of contract. *HIA Residential Building Works Clause 21*
Contract variations

An *addition variation quotation* may be costed like this: See table 3 in your learner guide

From this you can see that the contractor is entitled to the cost of processing the variation. However, the overhead and profit are deductions in this case. The reason for this is that in the original tender the deducted work would have had overhead and profit added on. Therefore it is correct to deduct it as the work the overhead and profit related to has been deducted.
Contract variations

Contract variation certificate

This certificate may be issued by the agent to the builder as proof of acceptance and approval of a submitted variation. The builder may also issue the same type of certificate to a subcontractor. Similar to the progress payment certificate, this certificate will show the current status of the contract sum. This is the maximum the builder can expect to be paid for the works.
Contract variations

Acceptance and approval of a variation may be two different situations.

Acceptance may mean that the work described in the variation is acceptable but not the quotation value.

Approval is total acceptance of the work and the quotation. *Do not carry out variation work without approval*. Only variations that have been approved are likely to be paid. Security in the knowledge you would be paid for work performed is the reason you signed the contract.
Contract variations

The certifying architect or agent will verify the costs included in the submitted variation quotation. If the quotation is acceptable it will be approved for payment and inclusion in the adjusted contract sum. By completing this form, all parties are made aware of the current situation. If there is any disagreement, it should be settled as soon as these figures are available. No disagreement should be held to the end of the project to settle.

Contract variation forms
The form will contain this information:

See the example in your Learner guide
Contract variations

This form gives both the contractor and the proprietor full information on the status of the contract. It details what has been approved and the final price of the work, assuming no further variations occur. The contractor is able to see the value of variations approved so far and which variations have been approved at this point.

By setting out a series of forms with the correct information we have informed our client of the financial situation on our project. As a proprietor’s representative we have informed the contractor of the current financial position. In these written communications we have been open in showing all information so that disagreements will avoided.
Contract variations

Disagreements often slow down payments on which we all depend.

The forms above are guides you may choose to use.

A comprehensive range of forms for contractors is available from the Housing Industry Association (HIA)

Similar forms should be used by builders to inform subcontractors of their financial position and maintain their own records.