



# Assessment task 3 – Contract preparation and administration

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## Select and Prepare A Construction Contract

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# 1 Introduction

## 1.1 Purpose of assessment

To provide evidence of preparation and contract administration of a low-rise construction contract.

## 1.2 Assessment task

Choose an actual low-rise construction project/site. Using this project/site, provide evidence, which clearly demonstrates that you are able to prepare a building contract, which is appropriate for low-rise construction.

You must provide sufficient evidence that meets the purpose of assessment as described. As a minimum, discussion must cover:

- sourcing appropriate expert advice in contract preparation
- scheduling progress payments
- inclusion of specifications in the contract regarding termination of the contract
- contract preparation – calculation of rise and fall
- contract administration requirements
- extension of time application
- finalisation of contract documentation.

# 2 Construction project

1045 Whitehorse Road, Box Hill VIC 3128 (Urban.com.au, 2018)



Figure 1 Preview of final project

Project Type	Residential
Floor Count	4
Number of Buildings	1
Building Type	Low-rise
Number of Residences	35

## 2.1 Sourcing appropriate expert advice in contract preparation

Before the initialising of this project, advices from experts are required to avoid mistakes from inexperience. People with previous experiences can make more accuracy estimations. In addition, the builder should also seek advices from legal practitioners to prevent possible legal issues during the contract preparation.

## 2.2 Scheduling progress payments

According to Consumer Affairs Victoria, the builders should set the amount for the deposit, defines the stages of building and how much the consumers should pay for each stage, and the changes only apply when changes stated in contract.

Therefore, in this project, the payment should follow the table below

		Amount (Total amount 110,000)
Deposit	5%	5,500
1 <sup>st</sup> stage payment	15%	16500
2 <sup>nd</sup> stage payment	25%	27500
3 <sup>rd</sup> stage payment	25%	27500
4 <sup>th</sup> stage payment	15%	16500
Final payment	15%	16500

## 2.3 Inclusion of specifications in the contract regarding termination of the contract

According to the Building Act 1993, both Building Owner and the Builder required to notify the building surveyor for the Work within 14 days after the engagement of the Builder ends by termination of the contract.

Failure to give notifications can incur a maximum penalty of 10 penalty units. Before termination the Building Owner should discuss with the building surveyor the possibility to continue the Work once the contract with the Builder is terminated and the process required for notification of appointment of a subsequent builder.

If the Building Owner does not intend to complete the Work, either by appointing another builder or completing the Work themselves, the Building Owner should discuss with the relevant building surveyor how this affects compliance with the requirements of the Building Act 1993 and any subsequent prescribed approval.

(Victoria, 2018)

## **2.4 Contract preparation – calculation of rise and fall**

Consider the construction duration for this project is around 1 year,

Rise and fall % = [(the index of Sept 2019 – the index of Sept 2018) / (the index of Sept 2018)] x 100.

In addition, labour changes from government and the material price changes also need to be reflected in this calculation.

## **2.5 Contract administration requirements**

There are several major steps to perform contract administration requirements:

- Collet the client's requirements and give possible solutions
- Feasibility study  
This is study against unrealistic or over-budget designs, in this project, the customers want to build 5 stories building which is not permit from local city council.
- Initial design (Drawing)
- Full design (Drawing)  
The drawing then used as the standard of contract and the onsite instruction





## 2.6 Extension of time application

The builder will be entitled to extension of time, if

- The weather and its effect over and above the days estimated by the builder during the contract
- An industrial dispute that not controlled by the builder (for example, material standard changes)
- There are some defects that affects the overall project

## 2.7 Finalisation of contract documentation

During the finalisation of contract documentation stage, any gaps or deficiencies can then be identified and appropriate actions implemented, and the other related documents. As the end of contract preparation, all the questions should be answered and placed in the contract. In addition to these, the payment and quality standard also need to mentioned in to contract to avoid problems.

### 3 Conclusion

This assignment provides a way to understand how to prepare a construction contract at the preparation stage, understanding the contents of a suitable contract and how to initialise the project based on this contract.



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