



INFORMATION SHEET

Workplace Services

Current at: 21 August 2015
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SA - What is practical completion?

Background

Practical completion can be a confusing time for both the owner and builder when the procedures outlined in the contract are not correctly followed. What precisely is “practical completion” can be a topic of uncertainty and debate– with some owner’s having different expectations from what is in the contract or is required at law. A point may be reached where the work is for all practical purposes sufficiently complete to be put into use and for handover and payment purpose but is not necessarily absolutely complete in all respects.

Definition of practical completion (HIA South Australia Plain Language Contracts)

Under the SA New Homes Contract, Alteration & Additions Contract and Kit & Transportable Homes Contract, ‘**Practical Completion**’ means the stage when the work:

“is substantially complete and reasonably fit for use.”

There is a reason the definition of practical completion does not require total completion without defect. It is to enable the owner to take possession of the home as soon as possible while retaining rights to have outstanding minor defects and omissions attended to.

The practical completion process

When the work has reached practical completion, the builder will give the owner a final account.

The owner must within 7 days:

- Inspect the works with the builder;
- Write down anything that is defective or incomplete in a practical completion certificate, sign it and give to the builder;
- Pay the builder the final account in full (with no deduction or offset) by cash or bank cheque.

If the owner disputes that the works have reached practical completion, then any such dispute should be dealt with under the dispute provisions of the contract.

Handover

When the owner has paid the final account in full, the builder is to hand the site over to the owner. The builder is to fix the defects set out in the practical completion certificate that the builder accepts responsibility for within a reasonable time after hand-over.

DISCLAIMER - The above is intended to provide general information in summary form. The contents do not constitute specific advice and should not be relied upon as such. Formal specific advice should be sought by members with respect to particular matters before taking action.

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Fixing defects after 3 months

The contractual defects liability period provides a mechanism for the builder to fix defects which either do not need to be completed prior to practical completion or which became apparent after practical completion.

If there are defects the owner should give written notice to the builder of any “defective work” about 3 months after practical completion. The builder is to fix that defective work.

If the owner is aware of any major defects that may cause other damage the owner must immediately report such defects to the builder.

The builder is also liable for defective building work under the Development Act 1993 for ten years.

Builder is not required to fix work by others

The builder is not required to fix work not included in the contract and is not required to fix any defect which is the result of abuse, wear & tear or normal shrinkage or movement.

For more information and assistance contact HIA Workplace Services on 1300 650 620