

# Managing price increases and delays during residential building work



COVID-19 is continuing to cause delays in the supply of building materials from both local and overseas sources. Combined with the unexpected increase in uptake of the HomeBuilder grants, there is now significant pressure on the availability of labour and price increases are emerging across the building supply chain.

While the extent of the delays and cost increases will vary in each state HIA is aware that this pressure is impacting the timely progress of many building projects.

HIA has developed a number of Do's and Don'ts to support members manage your business needs and your customers. It is critical businesses take time to make good choices despite the pressure that this situation is creating.



## Do:

### 1 Monitor the progress of the construction work and track it against contracted timeframes

- On entering your residential building contract you would have committed to completing the work within a specific period of time.
- Keeping track of your progress is critical to ensure you:
  - comply with your contractual obligations,
  - complete the project within a reasonable period,
  - avoid disputes, and
  - can get onto the next project.

### 2 Talk to your client and communicate any delays or disruptions as soon as possible

- Keeping your client up to date regarding the progress of works is essential to maintaining a good working relationship.
- You should explain the current impacts of COVID-19 on building work.
- If you become aware of anything that may delay the building work, you should talk to your client straight away.



## Don't:

### 1 Mislead your client regarding timeframes

- Honesty is the best policy! Trying to hide delays from your client will only lead to disputes.

### 2 Add on unassociated price increases to variations

- Variations should not be a way through which to 'make up' for losses or price increases associated with other products and materials.
- Variations and how you can charge for them are specifically dealt with in HIA contracts. See your state specific information [here](#).

### 3 Ask for, or make cash payments

- Do not use cash payment to avoid tax obligations in an effort to reduce prices. Should this be discovered you may be liable for significant penalties.

### 4 Delay payments to subcontractors and suppliers

- While you may be experiencing financial strain as a result of price increases, failing to pay your subcontractors or suppliers can cause tension, further jeopardise the completion of works and lead to claims for payment under security of payments laws. All of which should be avoided.

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## Do:

### 3 Seek an extension of time

- Once you are aware of the cause and extent of the delay you should consider claiming an extension of time.
- Generally an extension of time is permitted for delays outside of your control, such as product and material shortages that were unforeseeable when you entered into the contract.
- All HIA residential building contracts include provisions relating to extensions of time. Check your state specific requirements [here](#).

### 4 Talk to your suppliers

- Staying in touch with your suppliers to get regular updates on product and material delays is critical.
- This will ensure you can keep on top of any delays that you may need to claim an extension of time for.

### 5 Consider product substitution

- If delays are unacceptable and there are viable alternatives, talk to your client about substituting their chosen product or material for something else.
- You will need to explain to your client that generally [product substitution](#) will require a variation to the contract and affect the contract price.

### 6 Consider your work scheduling

- Can you schedule building work differently to accommodate for labour and material delays? If you can, think about how you may be able to arrange building work to fit in with available labour and materials.

### 7 Talk to your bank about financing options should disruptions during construction delay milestone payments

- Having a line of credit or other finance available may help relieve pressures associated with price increases, supplier and subcontractor payments and ensure work can continue.



## Don't:

### 5 Use non-compliant or inferior products

- This will only lead to risks of defects in the building work and unwanted attention from consumer protection agencies.

### 6 Cut costs on safety

- Keeping your site and your workers safe should be a priority.
- While it may be tempting to recoup price rises and make up time by taking short cuts on safety, there is no way to 'undo' an injury, or worse, a fatality on site.

### 7 Enter into a new contract with a homeowner

- You may be tempted to try and re-negotiate your contract with your client to better factor in delays and price rises. To do so may jeopardise your clients eligibility for the HomeBuilder grant, finance arrangements and the ability to secure warranty insurance.
- There are also a number of other legal issues that can arise if the first contract is not properly brought to an end.
- It is best to work with your client, in accordance with the contract on foot, to confront and overcome any challenges during the home building process.

For further information and assistance contact a HIA Workplace Adviser on **1300 650 620**.