

Guidance Statement – Confidential – For Internal Use Only



Prime Cost and Provisional Sum Items

Prime Cost Items

Prime Cost items (PC items) are for fixtures and fittings that the consumer is to select after the contract is signed e.g. kitchen and bathroom fixtures, carpet or tiles. The PC allowance is the amount of money built into the contract for the particular items.

For example, the contractor may have allowed \$20 per metre for the supply of tiles, or \$1,000 for an oven and cooktop. After entering the contract, the consumer may select tiles which cost \$30 per metre, or an oven and cooktop which cost \$1,500. The consumer would be liable to pay the increased costs.

Provisional Sums

A Provisional Sum (PS) is described in the *Queensland Building and Construction Commission Act 1991* as an amount that is an estimate of the cost of providing particular contracted services. The estimate includes the cost of supplying any materials needed for the work. An estimate is required if, after making all reasonable enquiries, the contractor cannot give a definite amount for the contracted services at the time the contract is entered into.

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For example, when estimating for earthworks and excavation, the contractor cannot determine an exact estimate of the amount of money required for the job without knowing what is actually under the ground. It is therefore impossible to be absolutely certain about the final costs.

If the total cost for that work is greater than the estimated amount, then the increase in cost is an additional cost to the consumer. Conversely, if the cost is less than the provisional sum amount, the consumer is to receive a credit variation for the difference.

Tender requirements for PC and PS items

When providing quotes to complete the construction in non-completion claims, the quoting contractors must only allow the same PC and PS amounts as in the original contract. Any actual difference in the supply cost must be borne by the consumer after entering into a new contract to complete the property.

Where PC and PS works have commenced, but remain incomplete, the tendering contractors must allow a fixed price component for the completion of these works.

Variations

Should the consumer wish to vary their original selection of items, they can perform a contract variation with the completing contractor **after** claim approval and after entering a contract for completion. Any increase in cost for these items must be borne by the consumers.

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If the costs are to be reduced because the consumer does not exhaust the full PC or PS sum allowed under the contract, then any credit for the unused amount should be issued by the contractor to the **consumer**. This in turn would reduce the consumer's liability amount.

Released under RTI

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