



# 6 SIMPLE TIPS TO AVOID COSTLY BUDGET BLOWOUTS ON YOUR BUILDING PROJECT

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## About K2 HOMES

K2 HOMES are a building company that focus on period and architectural type projects in the Bayside area.

We have worked locally in the area for over 18 years, and with over 50 years of combined industry experience in the team we have developed strong backgrounds in building, building design, interior design and project management.

We have developed fantastic working relationships with our preferred trades and contacts who have aligned with our values, vision, and bring similar experience and knowledge of the area, creating a network with the necessary understanding and knowledge of the Bayside market.

K2 HOMES is committed to providing exceptional customer service, quality builds delivered on time and budget.



Get in touch with Glenn on **0419 018 284** to schedule a free dreams to reality pre-construction meeting to help crystalize your ideas.



## 1. Know your budget

It's pretty simple really, know your budget.

Unless you are someone that has the luxury of not worrying about finances and you just want to build your dream home regardless of costs, most of us realistically need to build to a budget.

This doesn't mean you need to know what everything is going to cost before the design & build process begins...you can't...it's not possible.

But what you can do is be clear in your mind of your current financial situation and have a figure in mind that you are prepared to spend. You...and only you...know what you can comfortably afford that won't negatively impact on the quality of your life and place any strain on relationships at home.

You need to be clear on how you plan to finance the build, are you borrowing from the bank, from family or friends, consider and allow for any fees or interest charges if you are borrowing.

Your builder and building designer should be asking the same question...what is your budget?

In short,

- Be clear on what your budget is before you start the design & build process.
- If financing, only borrow an amount that won't place too much stress on you.
- Communicate your budget clearly to your designer and builder early in the process.



## How can we help?

***Firstly, and this might seem contradictory to ‘how can we help you?’ but if you choose to work with us, the first step with us involves us sending you a short questionnaire that you need to fill and return to us, answering some questions about your intended plans, one of the questions is ‘what is the budget for this project?’***

***If you can’t answer that then we can’t help you, not until you can answer that question does it give us the information we need to either begin the concept phase or decided if we can tender on your project.***

## 2. Choose the right builder

Building or renovating is potentially going to be the biggest investment of your life. Choosing the right builder with the appropriate knowledge and experience to help you through this process is so incredibly important, as they will be ones, you’re depending on to deliver on that investment.

If price is going to be your number one consideration when deciding who you want to work with, then you need to be realistic with your expectations.

When deciding which builder you want to work with, consider things such as their values, is what’s important to them, important to you?





What has their communication been like with early interactions? If they aren't clear and responsive with their communication before the build starts, what are they going to be like once the build begins, when the pressure and stress of running a job creep in?

How do they make you feel? Would you feel comfortable letting them work unsupervised in your house?

How do they present? First impressions are everything, your gut feel is generally always right. If it doesn't feel right...it may not be...keep in mind, they may be feeling the same way also, be open and honest, and you should expect the same in return.

Don't forget to ask the obvious questions, ask for proof of qualifications and licences, without these it should bring in to question the legitimacy of their ability to provide all the insurances you need when building.

If they came recommended, talk to the referee, what made their experience so enjoyable?

Things to consider when choosing your builder,

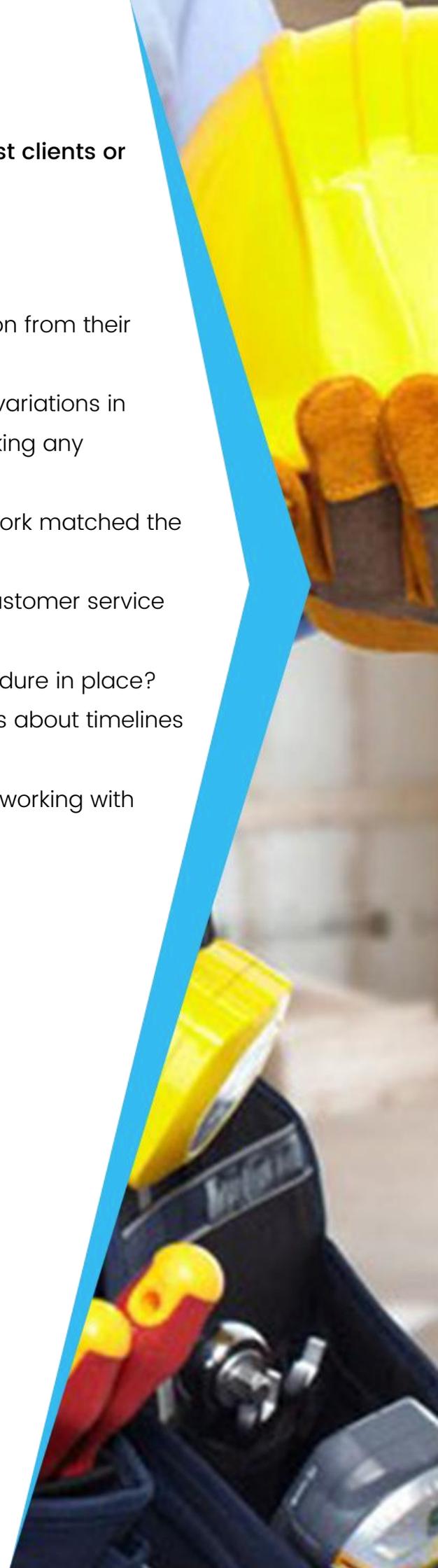
- Ask for their registration number and check it on the Victorian Building Authority website for proof of registration and ability to provide insurance.
- Check their history for any involvement in legal or disciplinary action with either Consumer Affairs, the Victorian Building Authority or the Victorian Civil and Administrative Tribunal.



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**Ask to see previous projects and speak with past clients or referees,**

- Was the contract explained in detail?
- Did the builder start and finish on time?
- Did the client receive regular communication from their builder throughout the entire process?
- Did the builder put details and the price of variations in writing and get them to sign off before making any changes?
- Were they satisfied that the quality of the work matched the contract?
- What was the builder and his/her teams customer service like?
- Did the builder have a quality control procedure in place?
- Was the client given regular weekly updates about timelines and critical path decisions?
- What was their overall experience like after working with the builder and his/her team?





## How can we help?

- ***We are a registered and licenced building company with all required insurances, with no history of legal or disciplinary actions against us, you can trust us with the biggest investment of your life.***
- ***We follow a proven system such as our 7 Point Success Framework to help educate and guide you through the building process, so you understand and have clear next steps.***
- ***We are a company that stands by its high-quality product and service with a Firm as Foundations Guarantee that goes over and above to dispel any concerns you may have so you can enjoy a stress free the building experience.***
- ***We utilize an extensive 1100-Point Quality Control Checklist to uphold building standards and deliver a high-quality product on time and budget.***
- ***We use modern building software to accurately cost and project manage the build.***
- ***We place a strong emphasis on giving clear and constant communication via a Weekly Construction Meeting and Reports to avoid unexpected surprises leading to potential disputes.***
- ***We fuss over the small details because we think they matter, and***

***We have a great team of trusted professionals with over 50 years of local knowledge and experience.***



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### 3. Work together

What do I mean by this?

Picture this...you have finally decided now is the time and you are ready to build...you have a budget and all these ideas swirling around in your head...so what do you do?

You think to yourself...I need help...who can help me? You have the lightbulb moment...ah ha...I need a building designer!

You find a building designer who says they can help...you discuss your budget of \$150,000...you spend months on months working together, turning all those ideas you had upstairs into beautifully designed plans on A3 paper, a master retreat upstairs, WIR, ensuite with double shower, 2<sup>nd</sup> bathroom for the kids, new kitchen with marble benchtops, open plan living room with bi-fold sliding doors out onto a new outdoor entertaining space...wow...your excitement levels are through the roof!

Another few months past and finally, after a few amendments the council approves everything and now you're ready to send out the plans to three builders to tender...four weeks later all the tenders are submitted back.

Whack!

All the tenders come in double your budget! How can this be? This can't be right...we need to get more quotes...they must be trying to rip me off.

The reality of the situation is this, no, the builders weren't trying to rip you off, the cost of building is always more than people expect and so are generally shocked when tenders come back in.

How could you have avoided this? Simple really,

- Make sure you engage your builder at the very beginning of the design phase to work together with the designer. Only when they work together from the start, can you be sure that the design you get is going to fit within your budget.

Don't blow the budget before you've even had a chance to start building.



## How can we help?

***We like to work with our clients and their chosen building designer from early in the process so that everyone is on the same page to create a design that fits your lifestyle and your budget.***

***From our very first site meeting you will meet myself (builder) and Teresa (Interior Designer) where we will begin to ask the right questions to help create a realistic build vs budget scenario.***

***If you haven't chosen a building designer, we are happy to recommend one.***

### 4. Enter the right contract

There are slightly different versions of building contracts to suit the type of building project, some for new builds, some for home improvements, minor works, fixed price or cost plus.

What contract is best to avoid budget blowouts?

We recommend and encourage 'Fixed Price' contracts over 'Cost Plus' contracts.

A Fixed Price contract is designed to give certainty to the consumer about the end cost of the building works.

In principle, it is as the name suggests, a fixed price. However, you need to be aware that this figure can change due to variations made by yourself or the builder, Prime Cost Items or Provisional Sums.

A fixed price contract should clearly outline all the particulars for the building works, clearly showing what has been included, and what has not been included in the contract figure, and a reasonable estimate of the cost to supply and install those items.

In summary,

- A Fixed Price contract is designed to give certainty to the consumer about the end cost of the building works.
- Be aware and understand how the contract figure can change.
- Cost plus contracts in most circumstances cannot be used unless the value of building work exceeds \$1,000,000.
- Your builder must also give you a copy of the Domestic Building Consumer Guide before you sign a major domestic building contract.



## How can we help?

***We are a register and licenced building company with all required insurances with no history of legal or disciplinary actions against us.***



## 5. Minimize Prime Cost & Provisional Sum items

Tying back in to the contract, you need to be aware of how some builders like to use Prime Cost and Provisional Sum Items in building contracts, resulting in increases to the final figure.

What is a Prime Cost Item?

- Prime cost item - a fitting (for example, a basin) included in the contract that the client has not selected the actual item, or the price is not known when the contract is signed.

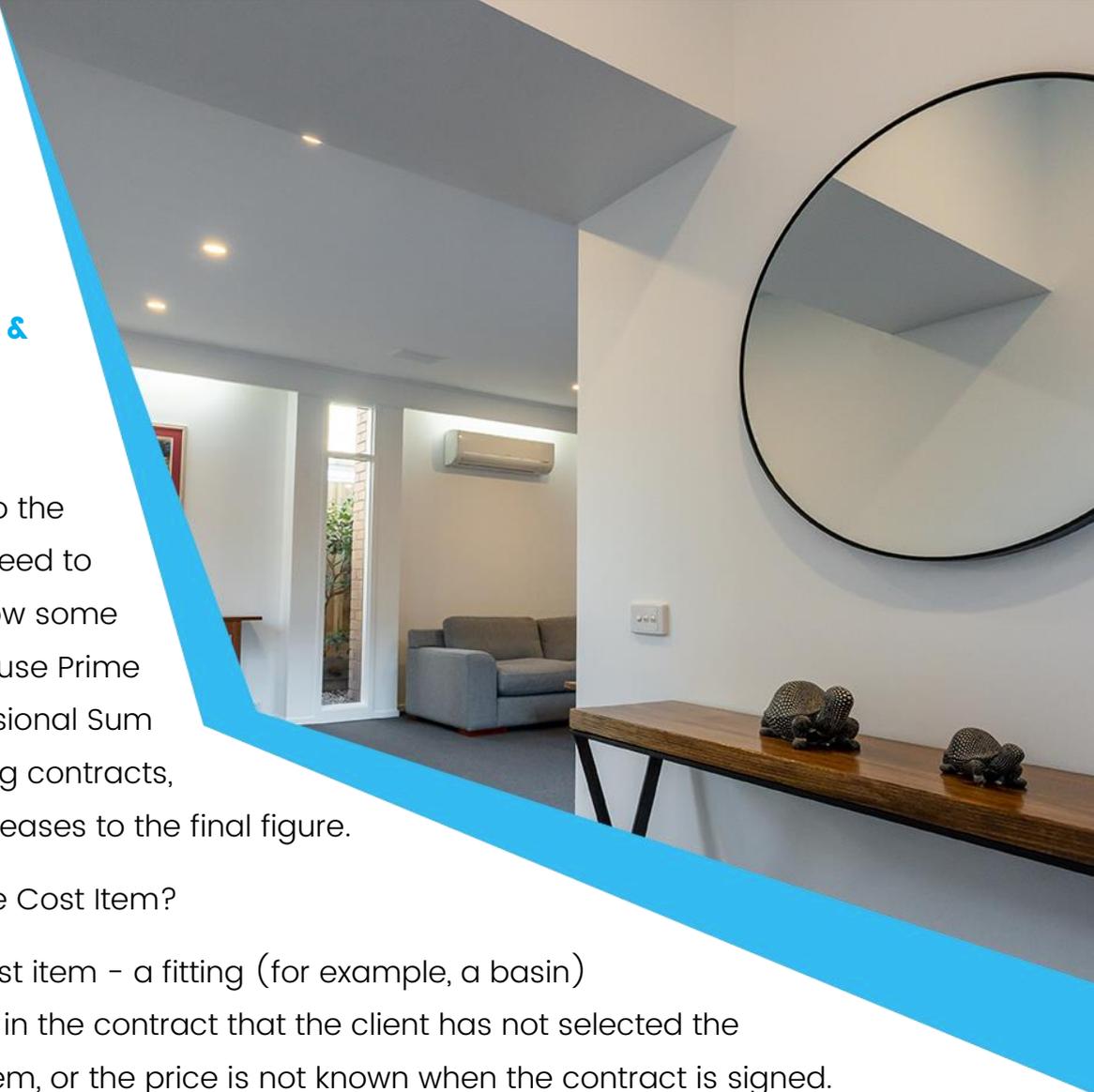
What is a Provisional Sum?

- Provisional sum - a reasonable estimate of the cost of carrying out work if you cannot give a definite price when signing the contract (for example, excavations or below ground works).

Unfortunately, some builders win jobs because their 'price' is the lowest, but at what cost?

Often this is because they have a long list of Prime Cost and Provisional Sum Items which have been included in the contract, but the dollar value they have allowed for these items at the time the contract is entered is undervalued.

Once the job is won and contract signed, the build begins and when it comes time to making those selections or carrying out that work, the price increases resulting in unexpected costs to you.



We understand that some fixtures & fittings won't be known so early in the building process, but the more information you can give to your builder, the more accurate they can quote, meaning the less likelihood the fixed price figure will change, keeping everything within budget.

I would strongly encourage you to make as many fixture and fittings selections as possible at the beginning of the job, to get a truer and more accurate representations of the actual build cost.

Recommendation,

- Be wary of builders that submit Fixed Price contracts that are loaded up with Prime Cost and Provisional Sum Items.
- Work together with your builder, building designer and/or interior designer to make as many product selections as possible before the final contract figure is signed off.

## How can we help?

***Our preferred process when working through the quoting phase with a client is to encourage them to engage with an interior designer.***

***Teresa, from Embracing Space, is our trusted professional and who we choose to work with. She has won multiple design awards and creates beautifully designed, functional spaces.***

***Working hand in hand, you and Teresa can work through the various spaces of the build, such as bathrooms, kitchens or laundries and make all your product and material selections, such as tiles, tapware, benchtop finishes and joinery finishes.***

***What this does creates a detailed specification list for me to accurately quote.***

***The end result is a quote that has minimal Prime Cost and Provisional Sum items which gives you a truer end figure.***

***Both Teresa and I have access to trusted and reputable suppliers and can save you money by bundling your selections together.***

## 6. Don't make changes

While you are more than entitled to request a variation of work from the plans, keep in mind that in most cases a variation has implications affecting timelines, scheduling, labour requirements, materials and potentially the need to hire equipment for longer.

Your variation may require more labour hands to be brought on site, involve demolition of existing work and re-building, require ordering new material, ordering new skip bins or machinery, re-scheduling trades, this ultimately costs time and money, pushing out the completion date.

The builder's overheads need to be considered if more days are required, the builders margin and any admin fees associated with creating a variation form need to be included, you will want to consider if you will need to extend any rental accommodation if you are renting during the build, hire costs of scaffold, toilet hire etc, so it's not always as simple and straight forward as 'only moving the wall 100mm'.

What is a variation?

Variations are changes to the contract that,

- you and the builder agree to make
- a building surveyor (or another authorised person) orders after the contract has been signed and building work has started.

By law, you and the builder must agree in writing to the variations (using a Variation Notice) and include the details and cost of the changes in the contract (including the new total price and new completion date) before the work commences.

A Variation Notice is not required if you request a variation and your builder reasonably believes the changes will not,

- require a change to any permits for the project
- cause delay
- add more than two per cent to the original contract price.



Variations are not uncommon, it is more than likely that at some point during the build a variation is going to take place.

Renovations and extensions are highly likely to serve up unexpected and unknown problems resulting in variations, follow the correct procedure, ask questions, be clear on how the variation has changed the contract figure and completion date before you sign and agree to it.



## How can we help?

***While we won't be encouraging you to make variations because we want the quoted figure to remain unchanged (less paperwork!), we do understand that along the building journey it might become clear to you that something just isn't how you had imagined it on paper, perhaps the WIR isn't deep enough or the draw configuration wrong, or the powder room is too narrow for the new joinery unit you want. If it's a renovation we might uncover rotten ceiling joists or a termite infested wall, or the building surveyor may pick up an issue with the existing part of the house that requires it to be brought up to current day standards.***

***Any of the above can happen...its normal in the building game.***

***We follow the correct variation procedures using Master Builder Forms before actioning any change, whether it be a variation you choose or a variation that is required, our building processes ensure everything will be communicated to you so you are clear on any price adjustments and their implications.***