

CONSTRUCTION RISK CHECKLIST > Pre-construction > Contract Signed & Understood

The Best Time to Resolve a Dispute Is Before the Job Starts

The project begins with the best intentions, everyone is getting along, and there is a high level of trust. Then something changes. A variation arises, the programme slips, or there is a disagreement about payment. Suddenly, both parties have different recollections of what was agreed.

One of the most effective ways to reduce the risk of disputes is to have a written contract signed before work starts. Yet many residential building projects still commence without one.

Residential projects over \$30k incl GST are legally required to have a written contract that must contain certain elements. We strongly recommend that every job has a written contract.

The issue is rarely that builders do not understand the importance of contracts. More often, they either lack a clear process for getting them in place or worry that presenting a contract might make the client feel they are not trusted.

In reality, professional clients expect professional processes. A written contract provides clarity, helps manage expectations and protects both parties from misunderstandings.

Contract Process Checklist

Before starting any project, make sure you can answer "Yes" to the following:

- 1. Is there a written contract suitable for the type and value of work?**
- 2. Has the scope of work been clearly defined?**
- 3. Have payment terms been explained and understood?**
- 4. Have variation procedures been discussed?**
- 5. Have programme expectations been documented?**
- 6. Have key exclusions, assumptions and responsibilities been explained?**
- 7. Has the client had an opportunity to ask questions?**

8. Has the contract been signed before work starts?

9. Does each party have a copy of the signed agreement?

A contract should not simply be emailed to the client and forgotten. Best practice is to walk through the key provisions together before signing. Focus on the areas most likely to create disputes, including payment claims, variations, delays, unforeseen conditions, Prime Cost Items and Provisional Sums.

Many homeowners have never undertaken a significant building project before and may not fully understand how these provisions work. Taking the time to explain them upfront can prevent confusion and frustration later.

It can also help to change how contracts are presented. Rather than treating the contract as a legal document designed to protect the builder, explain that it is a project management tool that protects both parties.

A simple explanation might be:

"The contract helps ensure we both understand what is included, how changes are handled and what happens if unexpected issues arise. It protects both of us and helps reduce the chance of misunderstandings."

This shifts the conversation away from trust and towards clarity.

Successful builders often follow a consistent process:

1. Scope and pricing completed.
2. Contract prepared.
3. Contract reviewed with the client.
4. Questions answered.
5. Contract signed.
6. Work commences.

When contracts become a standard part of every project, the awkwardness largely disappears. Clients quickly recognise that it is simply part of a professional building process.

Trust is important in construction, but trust and contracts are not opposites. In fact, the strongest client relationships are often built on both.

A handshake may start a project, but a well-understood and properly signed contract is often what keeps it on track when challenges arise.

