

Valuing variations

A reform thread from *Unravelling Risk*

Issues with designs are leading causes of claim and dispute. For example, 'design error' makes up 21.5% of claims globally and 19.0% locally. In Consult Australia's data on design and construct (D&C) projects, design errors were attributed to over 52% of the claims. Many design error claims can be linked to quantities growth between the tender design phase and the final design phase, due to factors beyond the consultant's control.

A variation is when a change is made to the original design after a contract has been signed.

There are many reasons why a change becomes necessary, it could be to deal with hidden problems that were not known before.

WHO & HOW

All parties should commit to an early warning process to deal with potential variations (without any blame game).

Unfortunately, in the current environment, there is a tendency towards a 'blame game' between parties.

Variations can be required to deal with:

- unforeseen circumstances arising in the project
- shifts in the needs or outcomes sought by the principal client
- changes to qualifies and/or assumptions made at the outset
- increased clarity on essential aspects of the services, including specifications after the contract is signed.

Many of these aspects can be resolved by 'scoping for success' at the outset. For the remaining valuations, all parties should avoid the blame game and value the variation process because variations should be about achieving the best outcome for the project. A good starting position is for all parties to be transparent about issues arising that might lead to a variation – in this respect the 'early warning' approach in the NEC4 contracts is a good way to deal with variations in a more collaborative rather than combative way.

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