



# OWNER BUILDER MANUAL

Read this section first of all to see whether you are eligible for an Owner-Builder Certificate and whether you need one.

## Contents

### Introduction

- What is the Owner-Builder Manual?
- Who should read this Manual?
- What are the key points for Owner-Builders?
- What is "Prescribed Building Work" for an Owner-Builder?
- What is not "Prescribed Building Work" for an Owner-Builder?
- Things to consider before becoming an Owner-Builder
- Degree of involvement of the Owner-Builder

### Funding the Owner-Builder Project

- Applying for a bank loan
- Valuations
- Avoid cash-flow pitfalls
- Progress payments
- Taxation for employees
- Superannuation Guarantee

### Owner-Builder Certificate

- What is an Owner-Builder Certificate?
- When is an Owner-Builder Certificate required?
- When is an Owner-Builder Certificate not required?
- How long is an Owner-Builder Certificate valid for?
- Who is not eligible for an Owner-Builder Certificate?
- What happens if I carry out building work without a Building Permit and/or Owner-Builder Certificate?
- Do I need to be registered with the Building Practitioners Board?
- What information may be required for an Application?
- Who is eligible for an Owner Builder Certificate?

## What are prescribed works for the purpose of Builders' Registration and Owner-Builder Registration?

**For this purpose**, under the NT *Building Act*, prescribed works means:

*Work which increases the **residential** floor area of a property and is valued at more than \$12,000.*

Prescribed work only applies to work on a single dwelling (house) and class 10 buildings which are included in the same building permit as the house.

Prescribed work **includes** a new dwelling, adding a room or bathroom beyond the existing building, enclosing a verandah to create an additional room which increases the floor space, building a dependant unit (granny flat).

Prescribed work **does not include** a shed, carport, garage, renovations (where the floor area is not increased), adding another room inside the existing building.

Prescribed work **does not include** duplexes, townhouses, flats or units, commercial or industrial work.

If you intend to carry out prescribed works on your property, you must

- either engage someone who is registered as a Building Contractor Residential (Restricted or Unrestricted) and will take full responsibility for the project;
- or register as an Owner-Builder and take full responsibility for the project yourself.

**If you are uncertain whether the work you are going to do is prescribed work, please contact the Building Practitioners Board on (08)8936 4082 before continuing.**

## Who can register to be an Owner-Builder?

Only the **individual** owner(s) of a property may be an owner-builder.

Where a property is owned by more than one individual, all individuals named on the title **must** be named in the Owner-Builder Certificate.

An Owner-Builder Certificate *cannot* be issued for work on a property owned by a company, a trust or any other entity than an individual or individuals.

If you are registered as a Building Contractor Residential you cannot be an Owner-Builder.

## How long does an Owner-Builder Certificate last?

An Owner-Builder Certificate will be issued for three-years, and can be renewed for a further three years. It covers all prescribed works carried out on that property during that period.

Once an Owner-Builder Certificate has been issued to you, you *may not* apply for another for any property within six years of its issue. This applies to everyone who is named on the Owner-Builder Certificate.

# Introduction

The Northern Territory *Building Act* permits genuine Owner-Builders to build or extend their own home on their own land. Genuine Owner-Builders are not in the business of building and are limited to building on one block of land every **six years**.

Limitations on Owner-Builder activity reinforce the distinction between Owner-Builders and registered building contractors who are allowed by law to carry out the business of constructing residential buildings. Various restrictions on Owner-Builder activity are enforced in nearly every other state or territory of Australia.

## What is the Owner-Builder Manual?

This manual has been produced to make prospective Owner-Builders aware of the risks and possible pitfalls of undertaking an Owner-Builder project and to help them understand their responsibilities and obligations under Northern Territory law.

Anyone intending to buy a home built by an Owner-Builder should undertake thorough checks before committing to the purchase, in particular to ensure that an occupancy permit has been granted for the home.

## Who Should Read this Manual?

Any land owner who plans to build a house or extend a house on his or her land and either carry out the building work personally, or coordinate the tasks necessary to carry out the building work, is considered to be an Owner-Builder and should read this Manual.

Owner-Builders are not in the business of building. If you say you intend to be an “Owner-Builder”, different people will understand this to mean different things. There are three possible scenarios –

- you take on the role of the builder and build everything yourself without engaging tradespeople (except in areas where licensed tradespeople are required by law, such as plumbers and electricians);
- you are the builder and do some of the work yourself and you will oversee the project through to completion, but will hire sub-contractors or tradespeople to do part of the building work (for example framing or roofing); or
- as the construction manager, you organise all the materials and sub-contractors (including perhaps a registered building contractor) to create your home. In this case, you carry insurances, organise site management, and organise inspections of the progress of works.

In all three cases, you are the responsible builder and you should read this Manual.

## What are the Key Points for an Owner-Builder?

An Owner-Builder –

- *is restricted to building or extending a house and associated building work on one parcel of land in any six-year period (this work may include more than one building and involve more than one building permit);*
- *must obtain an Owner-Builder Certificate from the Northern Territory Building Practitioners Board if intending to carry out prescribed building work valued at over \$12,000;*
- *must provide the Owner-Builder Certificate to a registered building certifier in order to obtain a Building Permit before starting prescribed building work;*
- *will be responsible for rectifying any non-compliant prescribed building work for up to six years from the date of completion of building;*
- *must obtain Residential Building Insurance cover before starting prescribed building work, thus protecting future owners of the property against defective work for a period up to six years from the date of completion of the building work; and*
- *must, not later than 14 days after completion of building work, make a legally-binding declaration that the building work has been carried out in accordance with the Building Permit and provide a copy of that declaration to the building certifier to enable the issue of an occupancy permit.*

## What is “prescribed building work” for an Owner-Builder?

Regulation 41N of the Building Regulations made under the *Building Act* define the building works which an Owner-Builder may undertake. The definition in the Regulations includes any building works for or in connection with the following classes of buildings over the value of \$12,000<sup>1</sup> –

- (a) A Class 1a detached house;
- (b) A Class 10 building (eg a carport or shed) attached to a Class 1a detached house if it is built at the same time as the house;
- (c) A retaining wall (whenever constructed) which is not attached to a Class 1 detached house but which the integrity of such a house depends on.

## What is not “prescribed building work” for an Owner-Builder?

The following building works are excluded under the *Building Act* and do not require an Owner-Builder certificate or a registered builder (please note, these exclusions DO NOT alter the requirement for a building permit) -

Work for or in connection with the construction of any of the following:

- a. renovations or alterations to an existing Class 1a detached house if there is no increase in the floor area of the house;
- b. a Class 10 building or verandah attached to a Class 1a detached house if it is constructed at any time after the house was constructed;
- c. a Class 10 building (whenever constructed) which is not attached to a Class 1a detached house, other than a retaining wall referred to in sub-regulation (1)(c).

*Examples of renovations and alterations for sub-regulation (2)(a) listed above:*

- *Re-cladding of the roof or walls of a detached house.*
- *Replacement of windows in a detached house.*
- *Construction of new external openings in a detached house.*
- *The enlargement or filling in of existing external openings in a detached house.*

*Examples of Class 10 buildings for sub-regulation (2)(c) listed above:*

- *A freestanding garage or shed.*
- *A retaining wall that is not attached to a detached house and on which the integrity of a detached house does not depend.*

**Please note:** Construction of duplexes, townhouses, flats or units cannot be undertaken by an Owner-Builder.

## Things to consider before becoming an Owner-Builder

Many people wish to be more directly involved with building their own home, whether to satisfy their desire for self-expression or to exert greater control over the building work or in the belief that it may save money. Whether you will achieve any of these objectives will depend on your level of competence and your level of involvement.

**Your dream home can become a nightmare if you do not plan correctly.**

Research, administration, organisation and communication skills are just as important as technical building skills for the Owner-Builder.

An Owner-Builder effectively assumes the responsibilities, risks and liabilities of a registered building contractor. These risks can include:

- Financial risks
  - Project cost increases as a result of poor estimating
  - Remedial work due to faulty workmanship and/or non-compliance Variations from the original plans
  - Loss by theft, fire, or water on the site, site protection costs (security, safety) occupational health and safety claims
  - Adjoining property owner claims
- Quality risks
  - Adequacy of drawings and specifications Standard of workmanship by others
  - Compliance with regulations (building, occupational health and safety, etc.) Technical ability to direct and assess workmanship.
- Time risks
  - Identification and engagement of suitable tradespeople
  - Coordination and continuity of work
  - Completion of work
- Future risks
  - Cost of rectifying non-compliant building work within prescribed time period.

Any of these risks may influence the cost of building work.

The *Building Act* provides for the registration of building practitioners, which has many advantages for consumers. Risks are reduced where a registered builder is engaged through a building contract, particularly where the value of works exceeds \$12,000 and the contractor is required to provide residential building cover. You, as an Owner-Builder, must take out residential building cover, however this is not for your benefit, but to protect subsequent owners of the building should you decide to sell.

Before deciding to become an Owner-Builder, ask yourself these questions:

- How much of your work and time can you dedicate to the project? What is your knowledge of the building industry?
- What is the state of your health (eg no back problems)?
- Are you willing to be called back by subsequent owners to rectify non-compliant building work?
- If intending to use sub-contractors, are you qualified to or capable of supervising ALL construction work, and have you the ability to co-ordinate the flow of work by sub-contractors to enable you to complete the project inside your time and cost schedule and the period allowed by the building permit to complete the work (eg 2 years)?
- Are you able to handle financial or contractual disputes and oversee sub-contractors? What about your availability to be on-site to receive materials and ensure that they comply with specifications for required quantity and quality?
- Do you have the ability to distinguish technically what is defective building work?
- Are you aware of the occupational health and safety laws and requirements of WorkSafe NT for safety on any building site?
- Do you have the experience to establish the value of work completed on the project to enable you to make accurate payments to sub-contractors?
- Are you able to predict material and labour cost increases during the project, and will you have sufficient money left over to decorate your home?
- Are you able to determine if your proposed home site contains reactive clay or problem soils? Are you aware of planning requirements and restrictions?
- Are you aware of time limits that apply to building permits?
- Are you sure of the exact boundaries of your land? You may have to engage a licensed surveyor to check if the boundary pegs are in the correct place or that you are not going to be building too close to or over a boundary?
- Are you aware of and able to make appropriate payments to all contractors and be aware of obligations of the Australian Taxation Office for taxation and superannuation requirements?
- Are you aware of the laws in the Northern Territory which regulate relationships between Contractors and Sub-contractors [Construction Contracts (Security of Payments) Act and Regulations]?



## Degree of Involvement of the Owner-Builder

The time you will need to commit to the role of Owner-Builder will be significant; it is not something that can be easily achieved after work hours or on weekends. You will need to have a great deal of flexibility during working hours to be on site to meet sub-contractors, to meet suppliers and take delivery of materials, purchase materials, supervise works, constantly address the works schedule and liaise with sub-contractors to co-ordinate their attendance and ensure minimum delay between sub-contractors' tasks, as well as arranging inspections and attending to all paperwork including payment of invoices. You will also need to be checking on a daily basis to ensure the security of the site and its safety for users and visitors.

Calculate the absolute amount of time you are able to commit to the project. The cost of time spent on the project must be measured against the value of lost business earnings, time spent at your place of employment or with your family.

Unless you are confident you can meet all of these and other competing requirements, you should seriously reconsider becoming an owner-builder. Registered building practitioners in the Northern Territory are equipped to provide all these services and take all the responsibility for the construction and on-going satisfactory performance of your home.

You can find a registered building practitioner on the Building Practitioners Board website at <http://www.ntlis.nt.gov.au/building-practitioners>

## Funding the Owner-Builder Project

The Owner-Builder must be able to meet the cost of the building work and most will need to borrow money. A quantity surveyor can estimate the probable actual cost of the work, however you should always allow at least 20% to cover rising costs of materials or labour, unforeseen delays, unforeseen additional costs or, as often happens, a change in your own decisions about design or quality or types of fittings. As an Owner-Builder, just like any purchaser, you should factor in potential bank interest rate rises and how that will impact on your ability to finance your debt.

Many first home owners have high expectations, regardless of whether they can afford a large house with all “top of the range” appliances. Even a relatively minor decision, such as choosing a different floor tile, may add several thousand dollars to the cost of a project. Appliances also vary greatly in quality and value and increasing the quality of kitchen appliances alone may add several thousand dollars to the cost of the project.

When you approach your bank or financial institution for a loan to build or extend your home the bank will need to know you are undertaking the project as an Owner-Builder and will be concerned to know whether you have any experience in building or supervising building works, whether you have any experience with managing budgets and whether the house will be able to be sold if you run out of money before completion. The bank will assess the level of security it requires (whether by way of equity in the property and or other collateral) and your ability to finance the debt.

## Applying for a Bank Loan

If you are not familiar with the process of applying for a loan you should contact your bank/lender in advance and obtain a list of the information and documents they will want to see and make sure that, when you have your interview, you have copies of the information and documents they require.

The information which financial institutions usually want to see include:

- A list of your assets (property owned) and your liabilities (debts). Assets may include other properties, motor vehicles, boats, shares, money in the bank. Debts may include mortgages, leases, personal loans, credit cards, fines.
- Details of your cost of living, including the amount you earn, the cost of your rent/mortgage, monthly bills, the amount you spend on food and entertainment.
- Drawings, plans, specifications and costing for the project.
- The building permit
- A copy of the residential insurance certificate for your project.
- The building permit

## Valuations

When you are building your own home, organising finance is a complex task and the lender must be able to determine the final value of the completed property. When arranging a valuation, the lender will generally require the following information:

- As an Owner-Builder, an estimate of construction costs or, if using a sub-contractor, a contract, tender or quote;
- A written schedule of progress payments, to show how much money you will need for suppliers and sub-contractors as you build, and work you intend to complete for each stage. This will assist the lender in assessing your cash flow.
- Approved plans, specifications and any other conditions of approval. The Building Permit may also be required.
- Written details of work to be carried out by you as an Owner-Builder, friends, family or sub-contractors. This should include all trades. Highlight any works to be carried out at no cost or at a discounted rate by you or your family and friends. You will also need to supply a complete costing of works to be sub-contracted to qualified tradespeople and copies of written quotes\.

If you are doing the actual building work yourself, the lender will also require:

- Written details of where you intend to buy the building materials, the credit terms available and copies of any trade labour cost, quotes already arranged; and
- Evidence of your savings to fund construction to a stage when the lender will release the loan funds.

## Avoid cash-flow pitfalls

Lending institutions normally advance loan funds through progress payments during the course of construction. Generally speaking, four progress payments are made. However, the lender will only advance funds as a percentage of completed work done; ie permanent constructional improvements.

A common problem with Owner-Builders is spending their savings on the wrong items at the wrong time (eg buying bathroom vanities and fittings, light fittings, curtains, windows etc on sale) and then storing them. When a valuer inspects the building work on behalf of the lender, he cannot take into consideration items which are stored in the garage and not erected or installed on the building site. They also cannot recommend a further progress payment.

You as the Owner-Builder then have no funds to pay a tradesman to erect or install those materials and now have a lender who will not advance funds to replace money already spent, as the value is not in completed fixed work. This creates a cash flow dilemma and all work stops while interest continues to accrue daily, with a monthly interest payment to be made, while you are probably still paying rent for accommodation.

## Progress payments

As the Owner-Builder you are responsible for paying sub-contractors without delay when their work is completed. You need to be aware of the *Construction Contracts (Security of Payments) Act* which covers construction contracts and the relationship between the principal contractor (you) and sub-contractors. Under this legislation, contractual provisions which delay or stop the movement of funds down the contracting chain are prohibited. Where there is no written contract, the legislation prescribes fair and reasonable payment terms.

In the event of a dispute, this legislation provides an effective and swift dispute resolution process with qualified experts to adjudicate disputes.

For more information, visit [www.nt.gov.au/justice/policycoord/construction](http://www.nt.gov.au/justice/policycoord/construction)

## Taxation for employees

As the Owner-Builder you may be liable for paying tax for wages paid to employees and sub-contractors during the building project. You should contact the Australian Taxation Office to clarify your obligations for taxation or visit their website [www.ato.gov.au](http://www.ato.gov.au)

## Superannuation Guarantee

As an employer, the Owner-Builder (you) may be required to make superannuation contributions to eligible employees, or otherwise required to make a superannuation guarantee. You should contact the Australian Taxation Office to clarify your obligations for superannuation or visit their website at [www.ato.gov.au](http://www.ato.gov.au)

# Owner-Builder Certificate

## What is an Owner-Builder Certificate?

An Owner-Builder certificate is written consent from the Building Practitioners Board for you to obtain a building permit and carry out *prescribed building work* over the value of \$12,000 as an Owner-Builder on your own land. Obtaining an Owner-Builder certificate does not guarantee you will be issued with a building permit.

If the land is owned by more than one person, all the individual owners must apply for the Owner-Builder certificate.

## When is an Owner-Builder Certificate Required?

Individual landowners intending to apply as an Owner-Builder for a building permit must provide an Owner-Builder certificate to a registered building certifier before he/she can issue a building permit.

## When is an Owner-Builder Certificate not required?

If you intend to carry out prescribed residential building work and the commercial value of the work is less than \$12,000 you do not require an Owner-Builder certificate.

If you are a registered building contractor and own the land on which the prescribed building work is to be carried out, you are not able to obtain an Owner-Builder certificate.

## How long is an Owner-Builder Certificate valid for?

An Owner-Builder certificate is valid for three years from the date of issue. The Building Practitioners Board may renew the certificate for a further period of three years on receipt of a renewal application by the Owner-Builder and payment of the fee applicable at the time.

The certificate covers all work carried out on the site during the six years, even if the work is covered by more than one building permit.

The Building Practitioners Board cannot grant an Owner-Builder certificate to a person who has already held an Owner-Builder certificate in respect of any land until a period of six years has lapsed since the certificate was granted.

## Who is not eligible for an Owner-Builder Certificate?

You are not entitled to obtain an Owner-Builder certificate if:

- The building work does not relate to a single dwelling;
- An Owner-Builder certificate has been issued to you within the last six years;
- A co-owner of the land you wish to build on has held with an owner-builder certificate for residential building work as Owner-Builder on another block of land he or she owns;
- You or a co-owner are a registered building contractor.
- The land is owned by a company or a trust
- Work is on duplexes, townhouses, flats or units, commercial or industrial work.

## What happens if I carry out residential building work without a Building Permit or an Owner-Builder Certificate?

If you carry out a building work valued at over \$12,000 without obtaining either an Owner-Builder certificate or a building permit, you may be prosecuted. The maximum penalty for either offence is 85 penalty units.

## Do I need to be registered with the Building Practitioners Board?

You will not be registered as a building practitioner. However, you will be recorded by the Building Practitioners Board as an Owner-Builder and a record will be kept of your building activity. A record of the building project will also be kept on the relevant Building file.

## What information may be required for an application for an Owner-Builder certificate?

You must complete the questions in the Owner-Builder Application Form. The Board may request any further information which is reasonably required to decide whether to grant an application.

## Who is eligible for an Owner-Builder Certificate?

To be eligible for an Owner-Builder certificate you must:

- be an individual;
- be a titleholder of the land on which the work is to occur and, if there is more than one titleholder, all names must appear on the Owner-Builder certificate;
- not have entered into an agreement to transfer ownership of the land to another person.
- Have not held an Owner Builder certificate within the last six years

# Applying for an Owner-Builder Certificate

To apply for an Owner-Builder Certificate, you must:

- Read the Owner Builder manual and complete the Declaration found at the back of this document stating that you have read and understood the information contained in this manual;
- Obtain a current copy of a Land Titles Office Search (less than 28 days old) for the land on which the building activity is to take place;
- Complete the Owner-Builder Certificate Application Form available from [http://www.bpb.nt.gov.au/data/assets/pdf\\_file/0011/38765/Owner-Builder-Application.pdf](http://www.bpb.nt.gov.au/data/assets/pdf_file/0011/38765/Owner-Builder-Application.pdf) (please note all co-owners of the land must sign the Application Form);
- Email, send or deliver the completed application form, along with the signed Declaration and any other supporting documents and the application fee applicable at the time to:

Building Practitioners Board  
Arnhemica House  
16 Parap Road  
PARAP NT 0820

GPO BOX 1680  
DARWIN NT 0801

Telephone: (08) 8936 4082  
Email: [bpb@nt.gov.au](mailto:bpb@nt.gov.au)

<http://www.bpb.nt.gov.au/>

## Preparing to Start Work

If you plan to carry out building work on your property as an Owner-Builder, you must comply with the requirements of all building legislation, including the *Building Act*, Building Regulations and the National Construction Code.

### Design Documentation

The standard controlling the detail of design and building construction in all States and Territories is the National Construction Code of Australia (NCC). The NCC addresses the technical provisions for the design and construction of buildings and structures. It is produced in three volumes – Volume 1 (commercial buildings), Volume 2 (domestic buildings) and Volume 3 (plumbing).

The NCC covers issues such as: structure, fire resistance, access and egress, service and equipment, health and amenity of buildings, energy efficiency.

The NCC is a complex technical, performance-based document which requires a level of technical expertise to interpret. It is recommended that, unless you have the appropriate technical skills, you engage an appropriately qualified draftsman or architect to produce your building design documentation.

A properly drafted house plan provides a full specification of the work to be performed, so a correctly detailed plan saves disputes and unnecessary direction, supervision and verbal instructions to contractors or tradespeople.

Plans prepared by architects and draftsmen are usually subject to copyright and you need permission to reproduce them in total or in part. A breach of copyright may also occur if you copy part of a plan. Some plans are also sold for individual use only.

If you want to engage an architect or a draftsman, organisations such as the Australian Institute of Architects or the NT Building Designers Association can provide names of registered members.

Laws on energy efficiency for houses have applied for several years. As these are minimum provisions there is considerable scope for individuals to have a home designed and built incorporating features which exceed the minimum standards required. Many considerations which make a home more energy efficient add little to the building costs if they are incorporated at the design stage.

If you have queries relating to or difficulties interpreting a provision of the NCC, you should talk to your building certifier.

Copies of the NCC and the Guide to the NCC can be ordered online via the Australian Building Codes Board On-Line Shop at [www.abcb.gov.au](http://www.abcb.gov.au).



## Planning Considerations

Before any work starts, and before applying for a building permit, you may need to obtain a development permit from the Development Consent Authority to comply with the *Planning Act*.

The *Planning Act* regulates the use and development of land. It particularly examines the impact of the proposed development or use on the surrounding area, whereas the *Building Act* focuses on the proposed building work.

## Obtaining a Building Permit

Part 6 of the *Building Act* states that anyone (including Owner-Builders) intending to undertake building work must obtain a building permit in respect of that work before starting work.

Before you can obtain a building permit you must have residential building cover (see next section).

Once your design documentation is finalised, you need to engage a private building certifier and apply for a building permit. The private building certifier will:

- check the plans comply with the NCC and the Building Regulations;
- assess any special structural requirements;
- ensure you have all the necessary documentation required by legislation before you commence building.

A building certifier may require you to provide additional information or documents or amend the application. If you do not provide the information within the specified time, the building certifier may treat the application as having lapsed.

A building permit is valid for two years from the date of issue. Building work must be completed during this period unless an extension of time is granted by the building certifier before the expiry date.

A building certifier will charge a fee for the above service.

A list of registered building certifiers is available from the Building Practitioners Board website.

# Insurance

## **Mandatory Residential Building Cover under the *Building Act***

Prescribed building works which must be covered are residential building works of at least \$12,000 in value and in connection with construction of;

- a) a Class 1a building or prescribed Class 2 Building (referred to as a relevant building);
- b) a Class 10 building attached to a relevant building if the Class 10 building is constructed at the same time as the relevant building is constructed;
- c) a retaining wall (whenever constructed) which is not attached to a relevant building but on which the integrity of the relevant building depends.

Examples for subparagraph (b) include a garage, retaining wall or verandah.

Cover must be taken out with the Master Builders NT Fidelity Fund. Contact the Master Builders Association for application details and costs.

Because you are taking out cover for the benefit of a potential subsequent owner, cover is only for defective works (not for non-completion of works) and the contribution (like a premium) you are required to pay is calculated accordingly.

You must keep a copy of the certificate of cover yourself and give a copy to the building certifier. If you sell the building within six years of completion of the works you should provide a copy of the certificate to the purchaser.

If the subsequent owner discovers defective work they may bring an application before the Commissioner of Residential Building Disputes and you may be ordered to rectify the work or pay compensation.

## **Other recommended Insurances (not mandatory under the *Building Act*)**

### *Public Liability Insurance*

Building sites are dangerous places. Public Liability insurance covers third party injury and property damage which occurs during the period of the policy.

### *Workers Compensation*

Owner-Builders should take out a workers compensation insurance policy for the building project. Sub-contractors employed by an Owner-Builder may be deemed to be employed by the Owner-Builder. This could include builders, labourers, and some sub-contractors.

Where tradespersons or contractors are employed to work on the property, such as plumbers, electricians and builders, you should obtain from each one a confirmation of what their insurance covers before they begin work on site. This could be through a certificate of currency from an insurance company, or a photocopy of the policy itself. In particular, check for some form of workers compensation insurance.

### *Construction Insurance (also called Contractors All Risk Insurance)*

A building contractor's All Risk Policy covers the main risks during the building process – malicious damage, theft, vandalism, fire, storm, wind and water damage during the construction period. Some policies include the costs of demolition of damaged work and professional fees in the event of a major claim.

Be aware that many domestic house and contents insurance policies do not cover building work and will only apply once the work is finished and the building certifier has issued the necessary certificates. This is particularly important if you are making an alteration to an existing building, as some policies may not cover the existing building during the construction period.

Contractor policies for Owner-Builders are usually not renewable and the work must be fully completed within the policy period if you wish to be fully covered.

### *Key Person Insurance*

This policy will guarantee repayment of the loan should you meet with illness or accident.

### **Key Questions to Ask**

You should contact insurance brokers or insurance companies for quotations and information and ask questions along the following lines;

- What is the minimum coverage of a Public Liability policy, eg \$5 million?
- Is the insured value for contractor risk equivalent to the Owner-Builder construction price or the full replacement value in the case of a total loss?
- Does the policy cover demolition costs in the event of major loss?
- Is adjacent property protection available with a contractor's policy?
- Does the policy cover existing structures on the property? Prior to starting building work you should advise your house and contents insurer, as your existing policy may cover minor renovation projects.
- Does the policy cover the Owner-Builder against negligence claims from contractors or tradesman killed or severely injured on the work site?
- If works have already commenced, is it still possible to obtain insurance?

### **Site Security**

Fencing the work site is a good form of "insurance" as it may stop theft, pilfering and vandalism of valuable building materials, and also keep out intruders for their own safety.

# Carrying Out Building Work

## Hiring sub-contractors and tradespersons

By choosing to be an Owner-Builder, you forego the benefits of using an accredited building contractor and you are responsible when selecting people to carry out work on your behalf.

### *Choosing tradespeople*

The only building industry tradespersons who need to be licensed in the NT are electricians and plumbers. You should ask for references from people they have worked for. Ask questions such as:

- *Do you belong to a building or trade association?*
- *Do you hold any trade qualifications or licenses?*
- *Can I inspect recent examples of your work?*
- *Are you familiar with the work I want done and capable of doing it competently?*
- *When could you start?*
- *How long do you think the job will take?*
- *Can you give me an estimate of the cost of the job?*
- *What are the terms of payment and at what stage?*
- *Are you covered by insurance such as Workers Compensation, Public Liability or Income Protection? (If yes, you should ask for a copy of their certificates of currency)*

Electrical contractors must be licensed in the Northern Territory by the Electrical Workers and Contractors Licensing Board.

Plumbers and Plumbing Contractors must be licensed by the Plumbers and Drainers Licensing Board.

### *Hiring tradespeople*

Sub-contractors provide services either by:

- Price or quote for a pre-determined amount of work, which can cover materials and labour necessary for the job; or
- Cost-plus deal; a set rate per hour for labour with or without materials.

Most tradespeople provide a tendered price or fixed quote, so the Owner-Builder knows that a fixed sum will cover the work.

### *Getting quotes*

Obtain two or three written quotes from tradespeople, based on exactly the same description of the work. This includes clarifying what work and materials you expect the tradesperson to supply and what work and materials you might supply yourself.

Compare quotes carefully to ensure each contains the same details. Do not always accept the cheapest quote as you need to weigh material content, labour and the ability of the contractor to fulfil obligations. Examine the quote carefully to ensure that it covers everything you want.

If the quote is acceptable ask for details of two or three completed projects available for inspection and a contact for a job currently under way.

### *Coordinating sub-contractors*

A building project requires one person to be responsible for management and coordination and that person needs to have a plan of action. An experienced builder has spent a lifetime perfecting job flow, costing and building site management. By comparison an Owner-Builder may be inexperienced and make many mistakes.

Problems may arise, such as a tradesperson being unable to perform a particular task on a scheduled date, materials not delivered on time, bad weather, orders partly filled. To accommodate these possibilities you must have a flexible schedule. A common problem may be the availability of tradespeople, as they work around other commitments with building contractors.

- Select people you feel you could work with;
- Ask what sort of lead time they require;
- Keep in touch to tell them when they are going to be needed (eg One month before work starts);
- Make sure materials are on site ready for use when they arrive.
- Be realistic about your expectations of progress;
- Be wary of paying for a stage too early until satisfied the required work is completed properly.

### *Work Health and Safety*

As an Owner-Builder you may have responsibility for the health and safety of the people you engage to work on your site.

Please refer to the *Work health and Safety (National Uniform Legislation) Act* and Regulations. As an Owner-Builder intending to do work yourself and also engaging independent tradespeople, you are responsible for ensuring your sub-contractors comply with minimum safety standards. In effect, you become the accountable person as you have primary control over the workplace, and therefore have the responsibility for health and safety.

You should ensure you have appropriate workplace and public safety insurance policies in place.

When protection works are required, you may need to obtain insurance to protect adjoining property during construction.

## **Works in Progress**

An Owner-Builder must comply with the building permit and any conditions forming part of that building permit.

Any changes to the approved plans during the construction period must be approved by the building certifier.

An Owner-Builder must not allow dust, fumes, noise, smoke, sewage or concentrations of water which occur in the course of building work to become a nuisance or a public health risk.

Noise has become an increasingly significant environmental issue and if you do not comply with legislative requirements and permit conditions you may be subject to prosecution and/or penalties.

## Inspection and Certification of Building Works

The building permit must list the points at which mandatory inspection stages must be carried out before the building work can continue to the next stage. These stages include:

- Concrete pre-pour stage – before pouring the footings, ground floor slab, and any other in-situ concrete building element;
- Frame stage – before covering the framework for any floor, wall, roof or other building element;
- Block wall stage – prior to pouring of any reinforced masonry or block wall;
- Wet area stage – prior to covering any water-proofing in any wet area; and
- Practical completion stage – after the building work has been completed and prior to any occupancy permit being issued.

You must notify your building certifier at the appropriate time so mandatory inspections can be carried out.

If the building certifier finds something which does not comply in any way, he/she may direct you to carry out work so that the building work complies. Other building work will not be able to proceed until you have complied with this direction.

A building certifier will not issue a final inspection certificate until:

- The building work is complete and complies with the Regulations; and
- Directions (if any) given under the Act have been complied with.

## Written Contracts

If you decide you cannot complete the building project as an owner-builder, you may wish to engage a registered building contractor. The registered building contractor must enter into a written contract with you (section 48B of the *Building Act*). The contract must contain certain minimum mandatory clauses including:

- The name of the builder and the builder's registration number;
- Any deposit to be a maximum of 5%;
- Work stages and amounts for progress payments;
- Retention of a final payment of not less than 3% of the total contract value, pending issue of an occupancy permit or equivalent;
- The full extent of works; and
- A dispute resolution management process.

A contract must be limited to a single building project.

If you decide to engage a registered building contractor, you must notify the building certifier in writing within 14 days of engaging the building contractor.

Your builder must give you an insurance certificate to cover the building work in the event of the builder dying, disappearing, becoming bankrupt or insolvent or being de-registered.

# Completion of Building Work

## Occupancy Permit

Once building work is complete, you must ask the building certifier to do the final inspection and you must apply to the building certifier for an occupancy permit.

When you apply to a building certifier for an occupancy permit, you must provide a:

- builder's declaration in the approved form (see section 69 of the *Building Act*);
- copy of each certificate relied on under section 40 of the *Building Act*;
- copy of each inspection certificate issued by the building certifier;
- certificate of compliance for electrical works if any;
- copy of each relevant planning or other prescribed consent, report or approval; and
- copies of any other prescribed certificates such as glazing certification, termite management system.

A building certifier must decide an application for an occupancy permit within 20 days of the day the application is lodged with him/her.

The building certifier must provide a copy of an occupancy permit to the Director, Building Control within 7 days of issue. This is placed on the building record.

# Relevant Building Legislation:

## ***Building Act***

### **Building Regulations**

### **Building (Resolution of Residential Building Work Disputes) Regulations**

#### Section 48D

##### **Owner-Builders to hold certificate**

This section of the Act specifies that a person must not commence or continue to carry out prescribed residential building work over the prescribed value (\$12,000) on land that he or she owns unless the person is an Owner-Builder (ie holds an Owner-Builder certificate). The maximum penalty for breaching this requirement is 85 penalty units.

#### Section 48E

##### **Application for Owner-Builder certificate**

This section of the Act specifies how a person may make application to the Building Practitioners Board for an Owner-Builder certificate to carry out building work on land that he or she owns. If the land is owned by more than one person, all the owners must apply for the Owner-Builder certificate.

A person making a false declaration in an application for an Owner-Builder certificate will face a maximum penalty of 85 penalty units.

#### Section 48F

##### **Granting of Owner-Builder certificate**

This section specifies that the Building Practitioners Board, if satisfied that the applicant for an Owner-Builder certificate is the owner of the land, has read and understood this Manual and has not entered into an agreement to transfer ownership of the land to another person, it must grant the applicant an Owner-Builder certificate. It also provides that if there is more than one applicant (co-owners of the land), only one person is required to read this Manual. It also provides that an Owner-Builder certificate remains in force for 3 years and may be renewed for a further term.

#### Schedule 3 to the Act.

##### **Common provisions relating to permits, &c**

###### Clause 3: Form of Application

This clause specifies that an application for a building permit must be in the approved form, contain the information required by the form and be accompanied by the documents, if any, prescribed for the purposes of this clause (reg.6 specifies the documents to accompany an application).

#### Section 54AB

##### **Prescribed residential building work and residential builders**

This section defines the term "residential builder" to include an Owner-Builder.

#### Section 54AC

##### **Requirement for authorised RBC policy or fidelity certificate**

This section prohibits a residential builder carrying out prescribed works without having a fidelity certificate in force.



#### Section 54AD

##### **Current owner**

This section defines a “current owner” for the purposes of claims on fidelity cover or for dispute resolution processes.

#### Section 48G

##### **Building work to be certified**

This section requires that an Owner-Builder must, not later than 14 days after carrying out the building work permitted under the Owner-Builder certificate, make a declaration required under section 69(1) of the *Building Act* (see below). The maximum penalty for not making this declaration is 85 penalty units.

##### **Declaration to accompany application**

This section requires that a building certifier shall not grant an occupancy permit unless the application for the permit is accompanied by a declaration in an approved form stating that the building work to which it relates has been carried out in accordance with the building permit. The maximum penalty is 85 penalty units.

The building certifier is not required to ask whether a person making a declaration is the person who carried out the building work.

The person making the declaration is legally bound by this declaration and will be held responsible for the building work.

Note: The value of penalty units can be found in the *Penalty Units Act* and Regulations. The value of penalty units is adjusted annually.

# Useful Contacts

Information about this Manual:	Building Advisory Services Department of Lands, Planning and the Environment GPO Box 1680 Darwin NT 0801 Phone: 08-8936 4082 <a href="http://www.nt.gov.au/lands/building">www.nt.gov.au/lands/building</a>
Building Act and Regulations:	Building Advisory Services Department of Lands, Planning and the Environment <a href="http://www.nt.gov.au/lands/building">www.nt.gov.au/lands/building</a>
Building Practitioner Registration:	Building Practitioners Board Registrar Phone: 08-8936 4082 Email: <a href="mailto:bpb@nt.gov.au">bpb@nt.gov.au</a> <a href="http://www.bpb.nt.gov.au">www.bpb.nt.gov.au</a>
Building Standards:	Australian Building Codes Board Phone: 1300 857 522 <a href="http://www.abcb.gov.au">www.abcb.gov.au</a>
Contractor Payments:	NT Build Phone: 1300 795 855 <a href="http://www.ntbuild.com.au">www.ntbuild.com.au</a>
Work Health and Safety:	NT Work Safe Phone: 1800 019 115 <a href="http://www.worksafe.nt.gov.au">www.worksafe.nt.gov.au</a>
Electrical Licensing:	Electrical Workers & Contractors Licensing Board Phone: 08-8936 4079 Email: <a href="mailto:electricallicensing@nt.gov.au">electricallicensing@nt.gov.au</a> <a href="http://www.electricallicensing.nt.gov.au">www.electricallicensing.nt.gov.au</a>
Insurance:	Insurance Council of Australia <a href="http://www.insurancecouncil.com.au">www.insurancecouncil.com.au</a>
Residential Building Cover	MBANT Fidelity Fund Phone: 08-8922 9680 <a href="http://www.mbant.com.au">www.mbant.com.au</a>
Plumbers' Licensing:	Plumbers and Drainers Licensing Board Phone: 08-8936 4083 Email: <a href="mailto:pdlb@nt.gov.au">pdlb@nt.gov.au</a> <a href="http://www.nt.gov.au/lands/building/boards/plumbers">www.nt.gov.au/lands/building/boards/plumbers</a>
Taxation and Superannuation:	Australian Taxation Office Phone: 13 28 69 <a href="http://www.ato.gov.au">www.ato.gov.au</a>

# OWNER BUILDER DECLARATION

## APPLICANT DETAILS

Name:

Postal Address:

Residential Address:

Phone No:

Email:

## DETAILS OF BUILDING WORK

Address:

Lot No:

Type of Work:  
(Eg new house, extension to house)

## DECLARATION

I declare that I am an Owner-Builder as set out in the *Building Act* and that –

I have read and understood the information in the Northern Territory Owner-Builder Manual; and

I understand the obligations, risks and responsibilities as the owner **and** the builder under the *Building Act*, the Building Regulations and other relevant Acts and Regulations related to the management and carrying out of building work.

### **SIGNED - APPLICANT**

Signature .....

Print Name .....

At ..... on ..... day of ..... 20..  
(place) (day) (month)

**BEFORE – WITNESS (anyone who does not own the property and is 18 years or over)**

Signature .....

Print Name .....