



Supplementary Guidance for Valuing COVID-19 Project Variation Claims – Increases in Material Costs

Ministry of Education guidance for Capital Works and school-led property projects

Introduction

This guidance is supplementary to and needs to be read in conjunction with the *Guidance for valuing COVID-19 project variation claims (Version 3.0, Released 31 August 2021)* (the **Guidance**), a copy of which is available [here](#). The Guidance details how contractors may claim, amongst other things, for increases in material costs resulting from COVID-19.

The Ministry acknowledges increased price volatility for certain materials within the New Zealand market as a result of the continued COVID-19 disruption. The Ministry also acknowledges, that in respect of these materials, it can sometimes be difficult for contractors to evidence a connection to COVID-19 when making a variation claim.

In the interest of fairer risk allocation and to reduce the administrative burden on both parties, the Ministry will accept claims for price increases in certain materials without the need for contractors to evidence a connection to COVID-19. This Supplementary Guidance identified those materials and sets out how this process will work.

List of materials impacted by COVID-19

Attached as Schedule 1 is a list of materials which the Ministry acknowledges are subject to COVID-19 price volatility and for which contractors are not able to hold prices for. In respect of materials on this list, contractors are not required to evidence any connection to COVID-19 when making a variation claim.

Please note that for materials not included in the attached list, contractors are still entitled to claim for increases in material costs where they consider that the increased price is as a result of COVID-19. However, contractors may be required to provide evidence that the increase in the price is connected to COVID-19.

COVID-19 material price volatility is an evolving issue. The Ministry may from time to time update the materials in Schedule 1 in response to COVID-19 developments. The Ministry will honour all material price increases recorded in the Schedule 1 and your right to a COVID-19 variation claim from the date of your tender response. This means, if you tender a price for a material that is noted in Schedule 1 then the Ministry will honour any claim for a price increase even if that material is later removed from the list in Schedule 1.

What do contractors need to do?

The process will work as follows:

1. When submitting a fixed price lump sum tender, contractors are expected to provide fixed prices for materials as at the date of tender submission (this will provide a baseline against which any increase in material prices can be assessed).
2. The submitted tendered price should include sufficient pricing detail to enable any increase in material prices to be easily identified.
3. For materials in the attached list (and any subsequently added), contractors are not required to evidence any connection to COVID-19 when making a variation claim. For materials not in the attached list, contractors may be required to provide evidence that the increase in the price is connected to COVID-19.
4. Claims will continue to be assessed through the existing process for COVID-19 variation claims.

Further assistance

If you are unsure about anything in the Guidance or this Supplementary Guidance, please seek assistance by contacting COVID19Variations@education.govt.nz.



Schedule 1 – List of Materials Categories

The materials listed below are a summary of the full list of notified price increases the Ministry is aware of, the 'live' list is available [here](#) and will be updated as price notifications are received from material suppliers.

Material	Date Added	Examples of Evidence
Timber products – non structural	20/08/2021	1) Substantiation documents from the Supplier / Sub-Contractors demonstrating the price increase 2) Clarification as to the extent of the cost impact 3) Calculations that demonstrate that the input is confined to the increased cost of supply of the material or service (provide quotations from tender and current costs) 4) That the cost increases are in line with the known / current published price increases from Merchants / manufacturers 5) Cost increases are not to be applied arbitrarily across contract values
Timber products – structural	20/08/2021	
Flooring timbers	20/08/2021	
MDF	20/08/2021	
Bricks	20/08/2021	
Concrete products	20/08/2021	
Cement	20/08/2021	
Steel reinforcement	20/08/2021	
Structural steel	20/08/2021	
Steelwork accessories	20/08/2021	
Wallboards	20/08/2021	
Roofing material	20/08/2021	
External boards	20/08/2021	
Sealant & accessories	20/08/2021	
Electrical cables	20/08/2021	
Insulation – various types	20/08/2021	
Hardware	20/08/2021	