



CATHOLIC EDUCATION COMMISSION
NEW SOUTH WALES

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2 July 2010

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**LEGISLATIVE
COUNCIL**
GP10/75

Ms Teresa McMichael
Principal Council Officer
NSW Legislative Council Parliament House
Macquarie Street
SYDNET NSW 2000

Dear Ms McMichael

Inquiry into the Building the Education Revolution Program

I refer to your letter of 23 June with draft transcript of evidence, questions on notice and additional questions arising from our appearance before General Purpose Standing Committee No. 2 on 18 June 2010.

This reply covers most of the requests in your letter but some of them will be answered in a second response. I am overseas from 3 July to 9 August and unable to complete all the information requests before my departure. What is missing from this response will be finalised by a Commission officer and forwarded to you at a later date.

Draft Transcript of Evidence

Please find attached a marked up copy with changes in red. The changes are minor and do not change the content or style of the evidence. The changes are from all three witnesses representing the Catholic Education Commission.

Additional Questions on Notice

The questions have been answered seriatim in an attachment.

Questions Taken on Notice

A number of questions were taken on notice during the Hearing, as marked in the text of evidence sent to us.

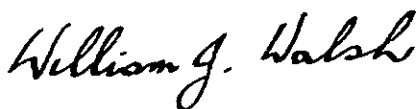
Building rates per metre, information provided to a Senate Hearing (requested by Hon Robyn Parker, Committee Chair and Hon Greg Pearce). To avoid any confusion, the material is provided exactly as conveyed to the Senate Committee Secretary (Dr Shona Batge) by email on Monday 24 May 2010. The attached information, including the covering email, is of three pages. As noted in the email, the covering note needs to accompany the table of two pages for a full understanding of the material.

The completion costs of the 70 or so projects already completed (requested by Hon Greg Pearce). This material will be provided at a later date. We are currently working through similar information requests on projects from the Commonwealth Department, the BER Implementation Taskforce and the Australian Competition and Consumer Commission (ACCC). While we can provide information on project completion total costs, we wish to put that information in the context of the project components by size (floor area), different per metre rates for facilities within projects, the overall rate per metre and any unusual cost items for the whole project. Without the more detailed costing context the overall completion cost can be misleading. The analysis we are conducting is time consuming but will be available in the near future.

Estimates of projects that are under way (requested by Hon Greg Pearce). The answer above applies. Simple information can be provided but we wish to put it in the full context of what is being built and where.

If there are other specific school projects schools and locations on which the Committee wants information, such as a library at a particular school, the Committee can write to the Commission for information (request by Hon Greg Pearce). The Commission has no concerns with the request and will answer the request as received, noting that the answers will be provided under the same arrangements for the two requests above.

Yours sincerely



William Walsh
Director Resources Policy & Capital Programs

**Additional Questions on Notice:
Inquiry into the Building the Education Revolution Program
To Catholic Education Commission**

Questions from Hon Robyn Parker MLC:

1. Have any unflued gas heaters been installed in NSW Catholic Schools with BER funds?

Being a decentralised system of schools, with schools and diocesan education offices making local decisions, there is no centralised policy on the installation of gas heaters, albeit the Commission has regularly brought attention to the research and recommendations on the use of unflued gas heaters.

The Commission is currently conducting a survey of all BER projects on this specific question. Preliminary information suggests that unflued gas heaters have not been installed under BER. The question will be fully answered in a second response when all schools with BER projects have responded.

2. If yes to (1), how many heaters have been installed and in how many NSW Catholic schools?

Refer to answer above. The question will be fully answered in a subsequent response following the survey of schools.

3. How many CEC BER projects are there in total?

There are 725 individually approved P21 projects in 445 Catholic primary, Special and mixed (central) schools. The majority of schools have two approved projects (say Multi-Purpose Hall and Library), the remainder have only one more costly project of choice (say Multi-Purpose Hall or New Classroom Block).

4. How many are under construction?

5. How many are completed?

6. How many are out to tender?

7. How many are still in the pre-tender stage?

Questions 4-7 are answered under the one response (as at end of June 2010):

Projects under construction	426
Projects completed	63
Projects out to tender	183
Projects at pre-tender stage	53
Total	725

Notes on above figures:

- A significant number of projects at the pre-tender stage have been re-phased for completion in 2011-2012 as per the Commonwealth's requirement to delay a number of projects in accordance with delayed ("re-phased") payment schedules.
- The 'pre-tender' and 'out to tender' totals are based on school monthly reports to the CBGA.
- The 'under construction' and 'completed' totals are based on Results of Tender forms and Completion Certificates returned by schools. A project is deemed to be 'completed' when works are finalised and the building is fit for use. The costs for a 'completed' project may not be fully acquitted; a project is deemed 'acquitted' when all works are completed and all outstanding monies paid.

Questions from Hon Christine Robertson MLC:

- 1. *Could you please table a typical tender pack for a P21 project for one of your schools?***
- 2. *Are all of your schools' P21 projects put out to tender?***
- 3. *If not, what other mechanisms are used to determine builders and prices?***

Questions 1-3 are answered under the one response. The answer to Question 6 below is relevant here.

There is no "typical tender pack"; however, the majority of projects are tendered under Australian Building Industry Standard tender documents and builders engaged under Australian Building Industry Standard Contracts. The key tender principles are competitiveness and openness in the tender process, 'value for money', selection of lowest tender (where all tender criteria have been addressed), comprehensive and high quality documentation of the building specifications in the tender documents that have been developed within tight, total project cost budgets, and openness of the tender process to public scrutiny.

The traditional tender and lump sum contract has been the preferred model and practice for building in Catholic schools, with those processes organised at local level. However, with the size of BER and the tight time demands to complete construction, alternative processes have been allowed. Where alternative procedures are used, the key tender principles of openness and competitiveness must be obvious, along with independent cost assessment, such as by an independent Quantity Surveyor.

The NSW Catholic Block Grant Authority (CBGA) has overall responsibility to the Commonwealth for the administration, management and accountability of BER funds and to ensure conformity with Commonwealth BER guidelines. The CBGA requested all education offices and independent schools to communicate their proposed tender procedures to the CBGA in advance for approval. Any concerns with openness and competition in tender processes were resolved with the education offices and schools. The CBGA does not operate as a controlling 'head office'; rather as overarching administrative body that ensures that tender procedures adopted by education offices and schools conform with Commonwealth requirements and meet probity standards, acts as the liaison body with the Commonwealth and offers professional assistance. The whole BER operation is decentralised with decisions being made at local level as much as possible with oversight exercised by the CBGA to ensure conformity with guidelines and policies.

The variety of processes are illustrated by reference to the procedures adopted by several of the diocesan education offices which manage projects with a region (diocese) and several individual schools, as below. The procedures described are replicated commonly in other regional offices and schools.

Office 1. Traditional tender process with advertisement in local media and selection of lowest complying tender. Lump sum contracts.

Office 2. (1) Traditional tender and lump sum contract where there is time. (2) Where a builder is on a school site from an existing non-BER project, a negotiated contract will be entered into, subject to the builder being able to meet the tender specifications and the tendered price certified by an independent Quantity Surveyor/Cost Assessor. (3) Where there is insufficient time to tender, a construction manager is procured for a project through a minimum of three quotes. The selected construction manager obtains three quotes for each trade contract. Tender/quotation outcomes are tested against prior estimates prepared by a QS to ensure the tendered price is fair and reasonable.

Office 3. Expressions of Interest sought from builders for individual projects. Lump sum tenders sought for each project typically from a selected panel of 3-6 builders.

Office 4. Lead architect for each project. Traditional tenders, lump sum contracts.

Office 5. Lump sum tenders. Where the traditional tender process is unsuccessful in attracting tenders in remote rural areas, local builders are invited to price the project with the prices quoted assessed by an independent QS.

Office 6. Expressions of interest sought from builders. Panel of builders developed. Prices obtained from at least three builders for each project with independent cost assessment. Contracts are either: Design and Construct; Design, Document and Construct; Lump Sum Tenders.

Office 7. Lead contractor appointed to manage all projects. Tenders sought for construction contracts; independent selection group within the education office management selects the successful school project tender.

School 1. Request for tender issued to six contractors. Successful contractor selected by interview and price. Australian Building Industry Contract signed.

School 2. Appointed a Project Manager who sought four tenders. Successful contractor appointed on basis of cost and ability to deliver on BER timescales.

School 3. Three quotes sought. Negotiated price with contractor who provided the lowest quote. Standard lump sum contract.

School 4. Construction Manager selected. Scope of works issued to three contractors. Successful contractor to conduct open book tenders on sub-contractor work packages and building contract subsequently signed.

4. How many schools with 1 to 50 enrolments do you have, and what proportion of your schools is this?

There are 31 schools; 7% of the total of primary schools with P21 projects.

5. How many schools with 51 to 150 enrolments do you have, and what proportion of your schools is this?

There are 82 schools; 18% of the total of primary schools with P21 projects.

6. Can you describe the project management process used by your sector in relation to the implementation of the BER?

The answer to this Question needs to be read in the context of the answers to Questions 1-3 above.

There is no single project management process in the Catholic sector; each of the eleven diocesan (regional) education offices has its own process, and there are independent Catholic schools outside of the diocesan education systems that manage their projects individually.

The most common project management practice across all schools, apart from the Archdiocese of Sydney that has engaged a single management contractor, is for an architect to be engaged as both the designer and project manager on a school by school basis, or for an architect to be engaged as the designer and an individual or company to be separately engaged as the project manager.

In the case of the architect as project manager, the project management fee is part of the standard negotiated architect fee and charged as a project cost. Such a fee is usually up to 8% of construction cost as for any school building project, BER or non-BER; there is no 'special loading' for BER project supervision. Up to a 10% maximum fee may be allowed in some special cases. Project management fees are not calculated as a standard proportion of total project cost; once base costs are covered the fee as a proportion of total project cost usually decreases. Where a project or construction manager has been engaged in addition to an architect, the management responsibilities are split between management/supervision and design but the total fee would still be in the order of 8 % of construction cost (with up to 10% maximum possible in special circumstances).

In the case of Sydney Archdiocese, Bovis Lend Lease (BLL) has been engaged as a lead project manager for all the primary schools in the Archdiocese. BLL has the role of engaging the architects/designers for each project, selecting builders by tender and managing the projects under construction by the builders selected by tender. In this case the total fee, for design, builder selection and project management remains in the order of 8% of construction costs.

There are also management costs within the Catholic Block Grant Authority for the administration and accountability of the entire BER Program, and in the diocesan education offices that engage architects and project managers, issue tenders, select builders, provide professional support to schools via facilities officers, and so on. However, those program management costs are funded from within the Administration Allowance allocated separately by the Commonwealth in addition to the grant allocations for schools. The BER program management costs within the CBGA and education offices are wholly funded from the Administration Allowance; the approved school grants remain intact with the project specific design and management costs included as part of their total school project costs, as is standard practice for all regular school building projects, BER or otherwise.

Bill Walsh

From: Bill Walsh
Sent: Monday, 24 May 2010 1:34 PM
To:
Subject: Per Metre Building Rates, request from Senate Hearing, 18 May 2010.
Attachments: Functional Area Construction Rates 2010.docx

Dr Shona Batge
Committee Secretary
Senate Standing Committee on Education, Employment and Workplace Relations

Dear Dr Batge

The NSW Catholic Block Grant authority appeared before the Senate Committee Hearing on the BER P21 Program on the morning of 18 May 2010 in Sydney.

The Committee asked the CBGA delegation what per metre building rates it used for its projects and requested the delegation to forward relevant information to the Committee.

Please find attached the 2010 construction rates used by the CBGA for all its capital programs, not just BER. We believe these rates reflect current building prices and achieve 'value for money' on building costs. Our rates are updated annually according to movements in standard building price indices.

The rates listed are not absolute in the sense that any one project must totally conform with them. We do expect that the bulk of projects will fit close to them, allowing that there may be 'unders and overs' depending upon tender conditions by time and locality and specific site requirements. However, we would query any tenders that came to us widely in excess of the rates. In such cases, we would usually seek a re-tender or negotiate the price with a tenderer. In a small number of cases, where an excess rate can be justified (such as in a remote area or unusual site conditions) we might be required to adjust the size or scope of a project to fit the budget. However, that has not been a common practice with BER P21 projects; we have usually been able to negotiate tenders or used the flexibility allowed within BER to transfer funds among projects where tenders have been under or over.

In summary, we find our published rates reflect market prices and ensure 'value for money'.

In reading the accompanying Table, the cost per metre, for example, for General Learning Areas (classrooms), Primary, we expect is \$2,426 per square metre. That includes the building, fit out, travel (circulation space within facilities), and all other construction costs and non-construction costs as listed in the notes to the Table.

In providing the attached material to the members of the Senate Committee, I ask that this cover note accompany it.

I would be pleased to answer any questions on the material.

Yours sincerely

William Walsh
Director Resources Policy & Capital Programs
Catholic Education Commission, NSW
and
Executive Officer, NSW Catholic Block Grant Authority

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NSW Catholic Block Grant Authority

Administering the Australian Government Capital Grants Program, National Secondary Schools Computer Fund, Trade Training Centres Program, Building the Education Revolution Program (Primary Schools for the 21st Century, Science & Language Centres for Secondary Schools, National School Pride Program)

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FUNCTIONAL AREA CONSTRUCTION RATES 2010 (Dollars per Metre Squared)

FUNCTIONAL AREAS	Primary & Secondary Base Rate Including 3.5% increase for 2010	PRIMARY Base Rate including 8.8% allowance for Travel	PRIMARY with 40% allowance for other construction and non-construction costs	SECONDARY Base Rate including 13.3% allowance for Travel	SECONDARY with 40% allowance for other construction and non-construction costs
Learning Areas					
General Learning Areas	\$1,593	\$1,733	\$2,426	\$1,805	\$2,527
Library	\$1,609	\$1,751	\$2,451	\$1,823	\$2,552
Art	\$1,667	N/A	N/A	\$1,889	\$2,644
Fitness / PE	\$1,593	\$1,733	\$2,426	\$1,805	\$2,527
Music / Dance / Drama	\$1,609	N/A	N/A	\$1,823	\$2,552
Science	\$2,016	N/A	N/A	\$2,284	\$3,197
Technological & Applied Studies	\$1,733	N/A	N/A	\$1,963	\$2,748

FUNCTIONAL AREAS	Primary & Secondary Base Rate Including 3.5% increase for 2010	PRIMARY Base Rate including 8.8% allowance for Travel	PRIMARY with 40% allowance for other construction and non-construction costs	SECONDARY Base Rate including 13.3% allowance for Travel	SECONDARY with 40% allowance for other construction and non-construction costs
Support Areas					
Administration / Staff	\$1,887	\$2,053	\$2,874	\$2,138	\$2,993
Communal Hall / Gymnasium	\$1,668	\$1,815	\$2,541	\$1,890	\$2,646
Pupil Facilities	\$2,546	\$2,770	\$3,878	\$2,884	\$4,037
Building Services (incl Mech/Elec)	\$1,405	\$1,528	\$2,139	\$1,592	\$2,228
Covered Outdoor Learning Area	\$438	\$477	\$667	\$496	\$694
Circulation					
Travel Enclosed	\$1,284	N/A	N/A	N/A	N/A
Travel Unenclosed	\$535	N/A	N/A	N/A	N/A
Covered Ways	\$413	N/A	N/A	N/A	N/A
Undercrofts	\$426	N/A	N/A	N/A	N/A

Notes:

- (i) The 2010 base rates per square metre for new construction reflect a 3.5% increase on the 2009 rates.
- (ii) Construction cost rates used in the CBGA Application include an allowance for Travel / Engineering, with the travel allowance rates as shown in the columns for Primary and Secondary Schools.
- (iii) Construction cost rates for K-10/12 schools are applied separately to the Primary and Secondary components, determined by the applicant's selection in the 'Proposed Works' module.
- (iv) The rates include fitout.
- (v) 'Pupil Facilities' encompasses in the main toilets and canteens.
- (vi) The 40% allowance on top of the base rate is to cover other construction costs (such as civil works, electricity and water connections, car parking, landscaping) and non-construction costs (such as architect/professional fees, furniture and equipment, Council fees).