

Submission
No 74

INQUIRY INTO THE BUILDING THE EDUCATION REVOLUTION PROGRAM

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*John Purchase Public School
Parents' & Citizens' Association*

"Participate and Communicate"

6th June 2010

Submission to the

**GENERAL PURPOSE STANDING COMMITTEE NO. 2-
Inquiry into the Building the Education Revolution program**

Overview

John Purchase Public School is located in the Hills District of north-west Sydney. We are a school with over 570 students and we continue to grow steadily. Our funding allocation under the BER is \$3,000,000.

From the commencement of the BER our school and its community were appreciative of the funding but over the course of the project we have been dismayed at the apparent wastage of money and lack of cooperation we have received. As the representative body of our school community the John Purchase Parents' and Citizens' Association feels compelled to make this submission in the interests of our school, the public school system and taxpayers.

We would like to point out to the inquiry that we have submitted a Freedom of Information request to ask for documents that specifically relate to the cost of the BER program. Unfortunately we have been informed that we will not receive any of these documents prior to the submission date for this inquiry. We would ask to reserve the right to submit these documents at a later date should they become available.

We would like to address the following points of the terms of reference of the inquiry.

Terms of Reference Point 2 – Cost of Construction

Having studied the costs associated with our construction we would like to express our concern with those costs under the BER. We assert the following:

- As a basis for further discussion our building statistics are as follows
 - 3 classroom homebase ~420 square metres
 - Multi-purpose room ~ 190 square metres
 - Permanent toilet block ~ 72 square metres

Total construction area	= 682 square metres
School BER allocation	= \$3,000,000
Averaged cost	= \$4,400 per square metre

- The Current Rawlinsons construction cost guide has an estimated construction cost of \$1350 per square metre for classrooms. Based on this estimate by itself our buildings are 3.25 times the commercial rate per square metre. However, this rate does not take into account project management fees and the differing formats of our buildings. A more accurate but upper rate would be around \$2000 per square metre. Using this figure our building works are still 2.2 times the commercial rate.
- The John Purchase Public School P&C has obtained an independent quote (see attachment) with an estimate of \$1.5 million for the buildings plus management expenses of \$250,000 for a total cost of \$1.77 million. This is a cost of \$2,595 per square metre. However, it should be noted that this quote itself is high as it was based upon an earlier set of plans with an additional classroom. Therefore we estimate that a figure of approximately \$1.4 million including project management is more accurate. This is a cost of \$2,052 per square metre.
- It has been established that our on-site contractor is being paid \$980,000 to perform the construction work which includes labour and most materials. There are some additional costs for the construction that are not included in this price including project management and design fees. If we use the project management costing from our independent quote we again arrive at a cost close to our earlier estimate of \$1.4 million.
- The BER cost breakdown provided to us shows the cost for substructure and superstructure at \$1.52 million. By itself this cost approximates the independent quote for construction obtained by the P&C, although we still believe this to be on the high side.

Illustrative of the excessive costs imbedded in these categories however, is the Design Documentation and Field Data cost. For our school this was \$262,087. This is supposed to cover construction documentation from architects, surveyors and planners and includes such things as site surveys, investigations and planning approval. If you consider that the classroom and hall should be based upon standard templates you need to ask why does it cost more than a quarter of a million dollars to effectively survey the school and draw up some plans.

In all, if you take out the State Government Management Fee, the Managing Contractors incentive, the contingency amounts, and the cost of the structures you are left with overall management and preliminary costs of \$1,097,223. This by itself is four times the amount in our independent quote.

- The release of the Catholic schools building benchmarks shows a maximum of \$2,426 a square metre for classrooms. The significantly lower cost when compared to our \$4,400 per square metre, is the result of these schools being able to self-manage their BER funds and thus obtain normal commercial building rates. The prices Catholic and Private schools have obtained only highlights the extent to which the public school system has been short-changed.

It should be noted that the Catholic school benchmark cost includes a 40% margin for fit-outs, site preparation and utility installation. In a lot of cases building works are coming in at less than this figure. Again this confirms our assertion that the prices for our buildings are well above commercial rates.

- Of considerable significance in our submission is that the Rawlinson guide will be omitting the cost of BER projects from its next book as the data will cause large inaccuracies in pricing due to the exorbitant per square metre rates being charged.

Paul McEvoy from Rawlinsons: "We discard anomalous projects where it looks like something is erroneous. We would never say it is going to cost \$5000 (per sq m) to build a school hall."

- The State Governments averaged cost approach for building types appears to have been a significant factor in increasing the cost to public schools. Individual schools have specific needs and cannot be averaged out into a homogeneous cost approach. This approach has been particularly felt by smaller schools who appear to have been dealt the biggest cost variances because their halls, canteens and classrooms have had management expenses included that are not directly reflective of the actual construction work.
- The State Government has employed Managing Contractors who have sent large teams of consultants to visit schools to establish the BER costs. Why then did the State Government chose to use a "one cost fits all" system to determine the overall price of a job when surely they had the actual figures for construction and management for each school?
- It is certainly ironic that the State government has based its costs upon using a cost averaged approach and, when presented with the Rawlinson Guide pricing announces on its BER website that each project must be treated individually.
- The State Government has released a statement saying that the square metre cost given in Rawlinsons is a guide only. Although Rawlinsons states this in the introduction to their guide, it is used by most construction companies for cost estimation and, it is considered in such high regard it is often used in legal cases to determine property development disputes. Even if it were accepted that Rawlinson is a guide and not, as it is in fact considered, a highly regarded and reputable source for such estimates, and if it were inflated by as much as 20% this cannot account for the vast disparity between such estimated costs when compared with the BER price.
- The State Governments "one cost fits all" would logically imply that all public schools in NSW have structures that are costing at least twice as much as standard commercial rates. This implies that all schools have been short-changed by the BER and not just those communities which have already asserted that they have specifically been subject to excessive costs.
- We have deliberately not asked to have our school audited by the State Government as they use the same inflated cost baselines for the auditing process as they do to cost the construction.

Terms of Reference Point 5 - Outcome and Suitability

Over the course of the BER implementation at our school there have been numerous concerns over the placement and format of the buildings being provided. Although we have resolved one of the significant issues of building placement, the location of the new classroom block is still unsatisfactory. The following points outline some of the key issues we have had:

- For reference our original submission for BER funding was for a 4 room high-end demountable classroom block and a multi-purpose room. This submission involved the temporary relocation of four existing demountables and a demountable toilet block to make room for the new classroom.
- Initially, we received plans and costs based on this proposal.
- Our first issue was over the multi-purpose room. Rather than provide our suggested multi-purpose room, the State Government submitted plans for a hall extension on the northern side of our existing school hall. This would have created a significant issue in terms of OH&S, access and usage. We were lucky enough, with the Managing Contractors support, to convince the State Government to change to our original proposal of a multi-purpose room on the south side of the hall. Ironically, it was probably the Managing Contractors report on the cost of the hall extension that changed the governments mind.
- Following several revisions to the original proposal, our Principal became concerned that there appeared to be no costs associated with the demountable relocation as per our original proposal. After raising this issue several times she was told that it would cost too much to relocate the demountables and that another location for the new classrooms needed to be sought.
- Several alternatives were discussed, none of them acceptable to the school.
- Seeing that the alternatives for building locations were not practical for the school, the P&C offered to pay for the relocation of demountables to ensure that our preferred option was realised. This was refused.
- We were then offered permanent buildings instead of high-end demountables. We found this perplexing as permanent buildings are surely more expensive than the relocation of old demountables and subsequent installation of new ones.
- Even more perplexing was a further offer of a 4 classroom double story building. A more expensive option yet again. This option, which was preferred by the State Government, was successfully opposed by the school.
- The issue of sighting the buildings continued, with our Principal finally giving up in frustration. The result has been the construction of a 3 classroom block (not the four originally requested) squeezed between two existing buildings and sighted on top of expensive drainage works only completed last year.
- The loss of a classroom was partially made up by the replacement of an aging demountable toilet block with a new permanent toilet but it has left us with no net gain in classrooms. As we are a growing school we have been forced to

have more aging demountables brought into the school to supplement our shortfall.

- Interestingly, the cost of the construction did not seem to vary as the plans were changed or scaled back.
- Of particular concern is that due to the placement of the new classroom block the school has lost approximately 300 square metres of playground area. We will also be left with a further 350 square metres of unusable play area when the old demountables are removed, a net loss of 650 square metres of playground area. Had the original proposal been adopted we would not have lost any existing playground area.
- When the old demountables are removed from our original preferred site for the classroom, the area underneath will need to be reclaimed. If not, weeds and other plants will take hold giving the perfect environment for vermin to live and breed. In addition this area currently has poor drainage and during heavy rain contributes to the flooding of our K-2 shade area and the back of our permanent blocks. Reclamation is essential from a health and safety point of view as well as from a quality of schooling experience for the students.
- The school and the P&C are not prepared to pay for the cost of this reclamation. We see this as the State Governments responsibility.
- Our Principal was required to sign off on the building plans but has done so under protest.

Observations and Comments

- It has been repeatedly stated by the Federal Government that the BER is not about delivering education infrastructure but about economic stimulus and job creation. However economic wastage is not an appropriate way to stimulate the economy nor to improve education infrastructure.
- Despite Federal and State government rhetoric in relation to saving jobs and keeping us from recession, we believe that wasteful distribution of public monies is not a responsible way to use that money, nor is a failure to get value for that money an appropriate way to inject such funds into the broader economy.
- Governments have an absolute responsibility and a moral obligation to ensure that taxpayers money is spent responsibly and effectively. We would have thought that it would be even more of a moral imperative to spend wisely when it comes to education and to ensure our children receive the best direct benefit for all such funds.
- The Building the Education Revolution has missed an opportunity to achieve a real and direct increase in public education infrastructure. By just replacing old for new at inflated prices the BER has delivered effectively half of what could have been achieved with more forethought and planning.
- One of our biggest concerns is that following, and as a result of the BER, there will be a period of significantly reduced government spending on public

education while significant issues still remain at our school, as at others, as a direct result of the BER.

Recommendations

- The inquiry should determine how the State Government established the base cost for buildings under the BER and determine why these appear to be significantly higher than commercial rates.
- The inquiry should establish a realistic commercial building cost for key elements of the program (ie a double classroom, hall, canteen etc) and use this as the correct baseline for comparison. This will enable the extent of the wastage to be measured. This estimate needs to be determined by qualified third parties with no vested interest in the BER.
- Dealings between the State Government and Managing Contractors should be referred to ICAC for investigation.
- NSW Public Schools that are left with incomplete, unfinished or unusable facilities as the result of the BER program should be compensated by the State Government to bring those facilities up to a usable state.
- Usage of the Contingency and/or Design and Price Risk contingency amounts needs to be investigated to ensure that contractors are not automatically taking these funds without just cause. Schools need to be able to retain as much contingency as possible in order to compensate for the lack of value currently being delivered. Contractors who have taken any contingency need to justify why these funds have been taken. If they cannot they must reimburse the monies to the school.
- Overhaul the State Governments purchasing and delivery practices to ensure value for money is obtained in all future purchases.
- Call a halt to round three of the BER funding process until the whole BER delivery process is fully investigated.

Summary

We believe that our BER construction does not represent value for money and that the apparent wastage is indicative of what appears to be a larger systemic problem within the State Governments cost and delivery mechanisms. We also have concerns that Managing Contractors have been opportunistic in relation to the BER and that their role needs to be investigated thoroughly.

Our experiences with the sighting of our projects has been less than satisfactory and has resulted in a significant loss of playground area and the waste of funds that had only just been spent on drainage works. We feel that in the rush to meet BER time frames, there has been insufficient consultation and application of common sense in relation to meeting the actual needs of the school.

It is a great shame that the long overdue opportunity to significantly upgrade and expand public education infrastructure has been missed. With a little more forethought, planning and consultation the BER could have been remembered in a

much more positive light. Unfortunately we will be left with the knowledge that we could have done so much more with the BER funding and that we will most likely be faced with an infrastructure funding shortfall in the future that our school communities will be left to deal with.

We thank you for the opportunity to submit our concerns to you.

Yours sincerely,

Tim Spencer

P&C President

John Purchase Public School