

**Submission
No 106**

INQUIRY INTO THE BUILDING THE EDUCATION REVOLUTION PROGRAM

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NSW Senate Inquiry

into the

Building the Education Revolution Program

Submission by

**Alstonville Public School Parents and Citizens
Association**



Executive Summary

The BER program was announced by the Federal Government with great fanfare and the promise of new infrastructure for every school in Australia. Whilst new infrastructure is being delivered, it is highly questionable as to whether that infrastructure is what many of those schools need to assist in delivering quality education outcomes for their students.

The experience of the Alstonville Public School P&C has been very frustrating. The project under construction at our school does not meet the needs of the school and the project budget includes over-inflated and unnecessary charges.

What is particularly disappointing about the BER program is that it adopts a one size fits all approach and the value delivered by the program in the public school system appears considerably less than that delivered in the private and Catholic sector.

The school and P&C made enquiries to the relevant state government departments about self managing the project but were stone walled with bureaucracy.

If public schools were permitted to self manage their projects, with an appropriate level of support from state and federal government, significantly better outcomes could be achieved.

The BER program, if delivered efficiently, could have set Alstonville Public School up for the next 20 years. That opportunity has been lost.

Introduction

Alstonville Public School is located in the Northern Rivers town of Alstonville. It has an enrolment of 574 students for 2010.

Under the BER Program the school has been allocated \$3.1 million. When the grants were first announced the funding was to provide a new hall for the school and an additional two room modular classroom, referred to as an MDR.

The school community was very excited to receive this news as the current school hall is too small for the number of students enrolled; only able to house approximately one third of the students at a time. Further, there are a large number of demountable classrooms at the school and the construction of the MDR was seen as a positive step in improving student accommodation at the school.

Since that initial announcement the project has been amended to provide a new school hall and a Covered Learning Area (COLA). The MDR is not to be built. The size of the new hall is completely inadequate for the school, being only slightly larger than the old hall and able to accommodate approximately half of the school population.

Project Budget

Attached as Appendix One is the budget for the Alstonville School Project.

Of the \$3.1 million in grant funding provided, there is a maximum of \$2,363,832 that is allocated to on-ground works. This is a very conservative figure as it includes the allowance for electrical upgrade, all of the project contingency, all of the contractor's design and price risk and the preliminaries.

The remaining \$736,168 represents 31.1% of the funding provided. These figures will be further discussed later in the submission.

Industry Standards

The author of this submission is a qualified Civil Engineer with over 20 years experience in local government managing a wide range of projects from concept to completion through contractual arrangements. There are other members of the Alstonville P&C who also work in the building, construction and mining industries. It is the view of the P&C that many of the costs associated with this project are inflated (and some grossly) when compared to industry standards.

As an example, a major building project in the northern rivers that the author of this submission is personally involved with has a total budget of \$9.5 million. It has been designed from scratch by an experienced and reputable Sydney based architectural firm to a level of documentation to lodge a development application and construction certificate with the local Council and then call tenders for construction. This work cost \$523,000 representing 5.5% of the total project budget.

This figure can be directly compared to the cost of \$358,944 that has been allocated to design documentation, field data and site management in the BER project budget. This represents 11.6% of the BER project budget. It also needs to be remembered that the design for the new school hall is a pre-determined design used by the Department of Education across the state. Further the works are not subject to local Council planning requirements and the associated costs of preparing documentation and obtaining approvals through those channels. With these facts in mind, the

overall cost of this part of the process under the BER program should be significantly less than industry standards.

Management Structure

The management structure that has been implemented between the NSW Government and the Federal Government in the public school system has severely reduced the value delivered by this program.

Whilst it is understandable that the state government has employed a project manager to oversee the program, the fees charged for this service are not considered reflective of the work involved. The Alstonville project has been charged \$40,300 as the IPO project management cost. It is our understanding that the person responsible for overseeing our project is also overseeing a considerable number of others. It would be an interesting exercise to tally up these costs from each project that this person is managing and see what the total funds collected are compared to the actual cost of employing this person? We have no doubt that the funds collected would far exceed the costs incurred.

The project budget includes a number of items that could be regarded as management or similar fees payable to the managing contractor. We question a project management structure that allocates a management cost to a contractor, includes an incentive fee for the contractor, and then rewards them further with another fee for design and price risk.

The contractor's incentive fee, design and price risk fee and contingency allowance are all aimed at reducing financial and other risks in the project. These allowances total \$349,861 or 11.3% of the total project budget. For a hall design that is standard and has been built numerous times across the state in other locations and a site where there are likely to be few if any risks associated with site conditions, this is considered to be a large figure. Furthermore, we question the need for the design and price risk fee.

It is considered that not all of these charges need to be applied to the project. It has been explained to us that the design and price risk fee is to have the contractor take all the risk. It is a fee charged by a contractor to guarantee no cost variations in the project. If such a fee is being paid to the contractor, why then is a contingency allowance also being made in the project and why is there also an incentive fee being charged? For a hall design that is standard and has been built numerous times across the state in other locations and a site where there are likely to be few if any risks associated with site conditions why is such a fee necessary at all?

We would submit that these fees should all be included as a contingency for the project and left under the control of the IPO. Further, if they are not required during the course of the work, they should be available to the school to use on other projects with the approval of the federal government.

Public Schools vs Private and Catholic Schools

Of greater concern is the way in which the public school system has been treated under this program. Private and Catholic Schools have been able to self manage their projects and achieve significant value for money. Specific examples have not been provided here but there are well documented examples in the media which support this statement. Essentially this is due to the removal of the management and other fees as charged in the public system.

Furthermore, it is considered that local builders dealing directly with local schools, and not state government appointed large scale building companies acting as managing contractors, will work closely, collaboratively and proactively to ensure that the best value for money is delivered.

Yet again public schools are being treated differently and receiving less value for money than their private counterparts.

Alstonville Public School did enquire about self managing the project with the Asset Management section of the Department of Commerce (at the time). We were invited to submit documentation to manage the project and provided with a copy of a very large document which was, as we understand it, a pre-qualification document for builders and the like to be eligible to work for the state government. It required us to have OHS systems, quality management systems, staff training programs, workers compensation insurance and all manner of completely irrelevant systems and documentation to manage a project in the manner that the BER funding would warrant. It was clearly a document for a contractor to complete in order to be able to tender on a construction job and entirely unsuitable for the purpose.

We were also advised that we would have to lodge a security bond to the value of 10% of the program funding or \$310,000. It was never properly explained to us what this was for but it appeared to be to cover cost to rectify any problems or errors that might occur during the course of the construction and that were attributable to errors by us. It is standard practice to apply such bonds to construction companies and builders but ridiculous to apply it to a project manager.

The clear conclusion we drew from this was that it would be made very hard for us to self manage the project by putting significant barriers in the way. This was despite there being several people on the P&C with significant building construction experience and formal qualifications that would demonstrate an ability to manage the project.

A more pertinent question is whether the very few public schools in NSW that are self managing their projects, the private schools or the Catholic schools have been put through these hoops in order to self manage their projects?

School Hall Design

The design for the new school hall is a pre-determined design used by the Department of Education across the state. Some minor amendments are made to the design to suit local site conditions but essentially it is an off the shelf design. It is understood that many such halls of varying sizes have been built across the state. The size of the hall is also pre-determined based on school enrolments. Alstonville has qualified for the largest available hall based on its enrolment, yet still it is grossly inadequate for the school's needs.

The Department of Education has been completely inflexible in this regard. Smaller schools may have had an opportunity to have a larger hall built than what they were otherwise entitled to ensure that their needs could be met (although it is doubtful this would be approved). However, as we already qualify for the largest hall available, there is no room for negotiation.

The school was left with no choice in the matter and construction has commenced. Whilst the BER program is injecting money into the economy, our school will receive a building that doesn't meet its needs.

Summary


In conclusion the Alstonville Public School P&C is of the view that the BER program is delivering marginal benefit to our school community. Whilst a new school hall and COLA will be built, the size of the hall is grossly inadequate for the school's needs.

The funding provided under the BER program is considered adequate to construct a hall that would meet the school's needs, but the level of management and other fees extracted from the program under the management arrangements put in place by the state government leaves insufficient funds to construct a hall of that size. Further the Department of Education is completely inflexible in its approach to the size of facility that can be built based on the enrolment at the school.

The BER program, if delivered efficiently, could have set the school up for the next 20 years. That opportunity has been lost.


Appendix One - Project Budget

» BER-R - Building the Education Revolution - Reporting




Nation Building

ECONOMIC STIMULUS PLAN




NEW SOUTH WALES
DEPARTMENT OF EDUCATION AND TRAINING




HOME
RSS ADMIN
Week : 64
17/03/2010
USER GUIDE
LOG OUT

Alstonville Public School - 1030
(2185)



Generate ALL RSS



Generate Cost Breakdowns

1030 - Alstonville Public School

check to include in publish >>

UPDATE

Australian Government P21 Funding Allocation (GST excl)

\$3,100,000

All Figures are GST exclusive	ECS Amount	Benchmark Value	Final Cost
IPO Project Management Cost (1.3%)	\$40,300	\$0	\$0
Contingency (5%)	\$155,000	\$0	\$0
New Hall/COLA		\$3,100,000	
Network Substation Allowance	\$100,000	\$0	\$0
Managing Contractor's Incentive Fee	\$33,470	\$0	\$0
Managing Contractor's Project Management Cost	\$226,034	\$0	\$0
Modular Building Cost	\$0	\$0	\$0
Design documentation, field data, site management	\$358,944	\$0	\$0
Preliminaries	\$235,636	\$0	\$0
Substructure	\$167,113	\$0	\$0
Superstructure	\$1,061,199	\$0	\$0
Site Works	\$333,108	\$0	\$0
Site Services	\$150,385	\$0	\$0
Design and price risk	\$161,391	\$0	\$0
Sub-total	\$3,022,580	\$0	\$0
Transfer Amount	\$0	\$0	\$0
Balance (excl GST)	\$77,420	\$0	\$0