

December 2010

## Estimated project cost breakdown - Explanation of terms

The estimated project costs are broken down into the normal cost elements used by the construction industry as described below:

- **IPO Project Management Cost:** This represents a 1.3 per cent allocation for managing the procurement of projects including contract administration, scope and nomination management, variations process and reporting to the Australian Government.
- **Contingency:** This represents a 5 per cent allocation for unforeseen risks which may arise whilst the project is being delivered. Unforeseen risks can include latent ground conditions, the late discovery of asbestos, or poor weather conditions that affect construction timeframes. Setting a contingency is considered best practice within the construction industry.
- **Network Substation Allowance:** All hall and library projects have \$100,000 or \$50,000 respectively set aside for power upgrades. The allowance is made from the outset so that we have the funds to provide upgrades where required - and new buildings will be ready to use as soon as they are constructed.

The electrical power requirements of schools have dramatically increased along with the amount of information technology being used like interactive classrooms, video-conferencing and more computers. The power upgrades being delivered through the BER program will be sufficient for schools to grow well into the future and keep pace with technology.

- **Managing Contractor's Incentive Fee:** The Managing Contractor may be entitled to the incentive fee if they deliver the project on time and within the Benchmark Value. The actual percentage in each region was set through the competitive tender process used to appoint the Managing Contractors. The percentage ranges from 1% to 3.25%.
- **Managing Contractor's Project Management Cost:** This covers the costs of delivering a program of work across very large and diverse regions such as:
  - Developing works programs for each school;
  - Scheduling all P21 projects across the region to ensure that we meet the Australian Government's tight timeframes;
  - Reporting on progress, expenditure and risk management; and
  - Developing the procedures for managing child protection and OH&S issues across the region.

The actual percentage charged in each region was set through the competitive tender process to appoint the Managing Contractors. The average project management fee paid to the Managing Contractors is 2.7%.

- **Modular Building Cost:** Modular double class base and library buildings have been pre-ordered to kick-start the stimulus package and support jobs as soon as possible.

This line item includes the actual cost of the Modular Building from the floor up ONLY. It does not include design, site investigation, planning, engineering, administration, management, water connection, power connection, foundations, footings, substructure, furnishings, commissioning and the coordination of these activities. These costs are detailed in other line items within the breakdown.

- **Design, documentation:** This covers professional construction documentation from architects, engineers, surveyors and statutory planners and the site surveys, investigations and visits required to finalise the project scope and preferred siting.

This also covers the cost of statutory planning approval, which is required for all new buildings. The costs of the statutory planning approval process can be significant, particularly if specialist reports are required on heritage listing or flood and bushfire zoning. Statutory planning approval is a necessary cost of building projects.

**Field Data Capture:** This covers the cost of the detailed survey of the completed building which is part of the hand-over documentation. This survey information informs the Department of Education and Training's maintenance planning.

**Site Management:** This covers the costs of ensuring that the works are carried out safely, and that tradespeople, teachers, and most importantly students, are kept safe. Site management includes developing, implementing and monitoring the school site specific occupational health and safety regime and working with the Principal to review and update existing school safety plans. It also includes carrying out trade licence and working with children checks and monitoring everyone that enters the construction site. The State-wide average cost for site supervision is 6.6%.

**Profit Margin:** The profit margins were set through the competitive tender process to select the Managing Contractors and are quite low in each region. The state-wide average profit margin is 2.85%.

- **Preliminaries:** These are the costs that must be paid to establish and run a safe construction site. Preliminaries are a necessary cost on every construction project and include things like:
  - scaffolding;
  - security fencing;
  - site security;
  - the construction site office and toilet facilities;
  - site access requirements such as a temporary roads to transport materials through the school to the construction site; and
  - the costs of providing personal protection equipment for workers.
- **Substructure:** These are the costs of 'in ground' works such as foundations, retaining walls, bulk and detail excavation, and termite control. This also includes the cost of laying the building's ground slab, upon which the superstructure is built.
- **Superstructure:** These costs are for aboveground works which are more likely to be visible. It includes framing, roofing and steel structures; hydraulics and mechanical

fixtures; and all that you'd expect in a new building – walls, doors, windows and glazing, ceilings, tiling, tough finishes, carpet, painting and fixtures.

- **Site Works:** This includes the costs to get the site ready for work, such as clearing the site, removing any fill or dirt and external ground work. It also includes the costs of all external works such as paving, pathways, covered walkways, stairs, ramps and landscaping.
- **Site Services:** includes the cost of connecting the new building to the school's power supply, water and sewer systems and information technology or data services.
- **Design and Price Risk Contingency:** There is a contingency factored into the budget to ensure that costs can be covered, if once construction starts, new design elements are required or the design needs to be changed to suit newly-discovered site issues. If these risks don't eventuate and the contingency is not required, the money will be released to spend on the school's P21 project.
- **Transfer Amount** – If this amount is positive it means the school's project couldn't fit within the schools funding allocation despite all reasonable efforts and the school received top-up funding from the BER Program Office transfer pool. If this amount is in the negative it means the estimated costs of the school's full project are within the schools funding allocation and the School Principal agreed to transfer the left over money to the transfer pool to top up another school whose project was at risk without top up funding being identified. If you want more information about how this process works [click here](#).
- The Commonwealth's BER Guidelines stipulate that any P21 funding that is not spent within the required time frames is at risk and may need to be returned to the Australian Government.