

P21 School Project Budget Fact Sheet

Delivering value for money

The Building the Education Revolution Program Office is committed to maximising the amount of program funding spent in NSW public schools. Conservative estimates for the costs of school projects ensured that schools received the maximum funding allocation from the Australian Government - this gave us assurance that there would be sufficient funds to meet the costs of the project, as we knew additional money wouldn't be available if school projects went over budget.

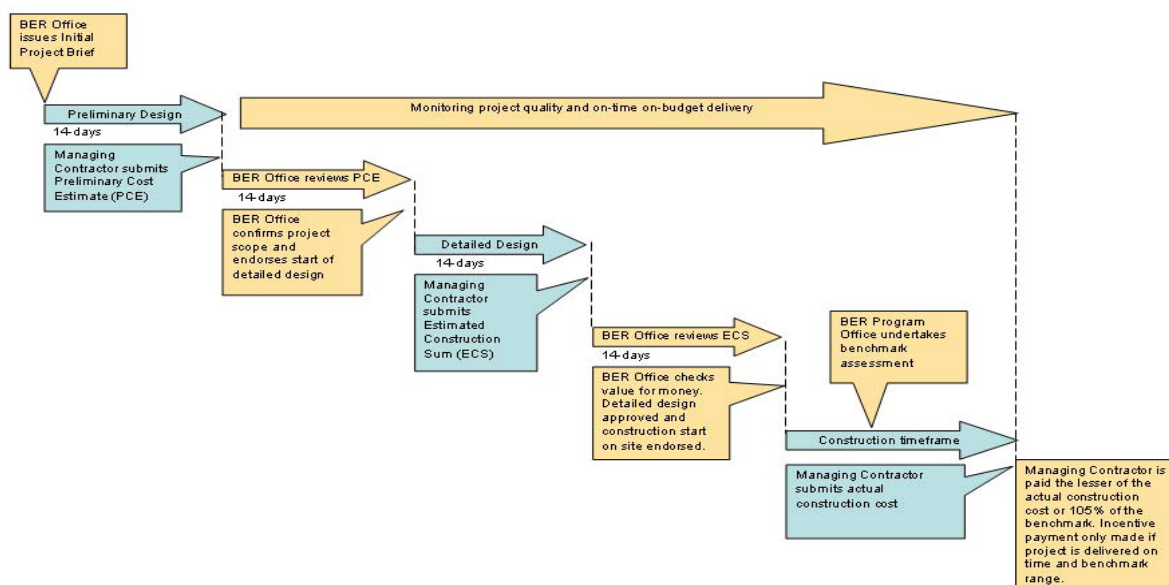
Primary Schools for the 21st Century (P21) is the largest of the BER funding streams with nearly \$3 billion in capital works anticipated for NSW public schools. This funding is conditional on projects meeting very tight timeframes set by the Australian Government, which is why we have chosen to partner with Managing Contractors to take advantage of their experience, size and capacity to successfully deliver these projects by March 2011.

The scale and tight timeframes of P21 will affect the availability of building materials and skilled professionals, which, in turn, may cause prices to fluctuate. By partnering with Managing Contractors we can manage this issue, control costs and deliver value for money over the life of the program.

At each stage in the development of a school project, the BER Program Office checks the project costs prepared by the Managing Contractors and works with Managing Contractors to ensure that costs are in line with similar projects in each region and across the State. Through this process we can ensure each school benefits from the best value for money.

Once construction commences, the BER Program Office develops a benchmark value for project construction costs using a comparison between the tendered costs for delivering a schools project and the costs included in the BER cost database for similar projects. The benchmark is compared with the actual final construction cost for the project and the Managing Contractor is paid the lesser of either the final actual cost or a maximum of 105% of the benchmark. This acts as a real incentive to keep costs down.

Our agreement with Managing Contractors requires them to seek the best value for money for each project. If the Managing Contractor delivers a school project on time and within the benchmark range they may be entitled to an incentive payment. This incentive regime underpins our partnership approach to delivering value for money throughout the program.



Fit for purpose schools – the Schools Facilities Standards

All P21 projects must meet the Schools Facilities Standards. The standards are developed by a group including Principals and representatives from the P&C and the Teachers' Federation. The standards ensure that our schools meet curriculum requirements and are safe. To achieve this, the standards sometimes exceed the requirements of the Australian Building Code. For example, child safety in schools dictates that all windows must be made of shatterproof laminated glass with no glazing below 100cm.

More information on the [standards](#) can be found on the DET intranet site.

The minimum requirements set by the standards mean that school projects can initially be more expensive than domestic or commercial projects. However, because the standards ensure that schools are durable, long lasting and cost effective to maintain and clean, the upfront quality we put into our schools saves us money in the long term.

The standards ensure that school construction projects deliver value for money and strike the right balance between the initial costs of building and the long-term costs of maintenance and cleaning.

Project management costs

BER Program Office project costs are set at 1.3%. This covers the costs of managing the procurement of projects, including contract administration, scope and nomination management, the variations process and reporting to the Australian Government and NSW Nation Building and Jobs Plan Taskforce. It also enables the BER Program Office to monitor costs on each school project from start to finish ensuring best value is achieved on every project.

The average project management costs for the Managing Contractors is 2.7%. Actual costs in each region were set through a competitive tender process to ensure they reflect best value in the current market. The costs in each region are dependent on regional and site specific factors such as the distance between schools.

These project management costs include the costs of developing programs for each school and scheduling all P21 projects to meet the tight timeframes set by the Australian Government. It also covers the costs of reporting on progress, expenditure and project risks as well as ensuring that child protection and OH&S requirements are met on every school project.

The total of these project costs is within the 4% recommended by the Australian Government. This means that across NSW, an average of 96% of each school's P21 allocation will be spent directly on their construction project.

Contact details for the Managing Contractors can be found by following this [link](#).

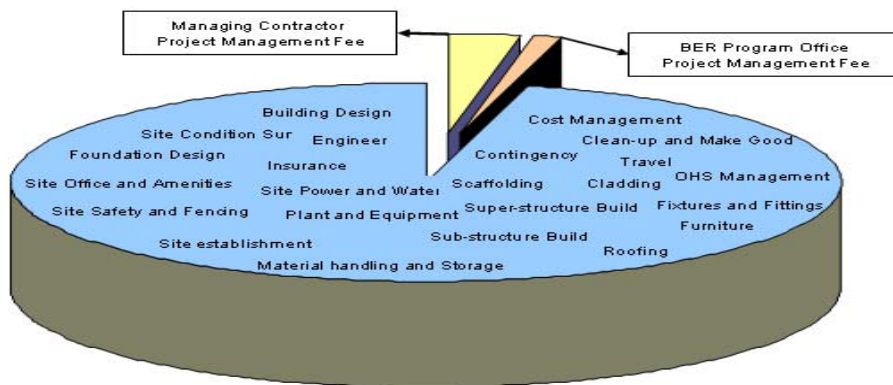
School project budgets

On average 96% of the P21 school allocation is spent on delivering school construction projects. The 96% includes the incentive payment which the Managing Contractor may be entitled to if they deliver your school's project on time and within the benchmark value. P21 funding is conditional on projects meeting very tight timeframes and the incentive regime we have established is designed to ensure that these deadlines are met and that schools don't miss out because of late delivery.

The 96% also includes the costs of preliminaries and site supervision which were set through the Managing Contractors competitive tender process for each region. These costs cover project elements like site establishment, site supervision, and the management of OH&S, trade licence checks and working with children checks.

All other school project design, documentation and construction costs are based on market rates as determined by the open competitive procurement processes undertaken by the Managing Contractor for each school. The BER Program Office monitors this procurement process and ensures that best practice is followed and best value is achieved.

Design and documentation costs cover things like design development by an architect and site condition surveys to identify soil, underground water and other environmental issues that may impact construction. It also covers the cost of quantity surveyors who are responsible for managing and monitoring project costs to meet the school budget.



Construction costs cover things like demolition, site clearance, superstructure and substructure construction, mechanical and electrical works and clean-up and make good. It also covers the cost of new plant and equipment and final fixtures and finishes.

Other costs

All funding received from the Australian Government is GST exclusive. The Department of Education and Training has to pay the GST on school projects and then claim it back from the Australian Government. For example, if a school's P21 allocation is \$3 million (excluding GST), the Department of Education and Training will pay \$3.3 million (including GST) progressively during the contract period and at the same time claim the \$300,000 GST back from the Australian Tax Office. GST payments are not taken from a school's allocation.

The BER Program Office is earmarking 5% of each school's allocation as contingency funding. Setting a contingency is best practice and it is used to cover the actual costs of risks that emerge during the project.

The BER Program Office is also earmarking \$100,000 and \$50,000 for hall and library projects respectively to cover the potential costs of electrical substation and network upgrades.

Subject to discussions with the Australian Government, any difference between the total cost of the school's project and its BER allocation, including any unused earmarked funds, will be used for supplementary P21 work at the school. If the remaining allocation is not enough to fund supplementary P21 works then the BER Program Office will consult with the Principal about transferring these funds to another school's P21 project.