

## P21 Project Costs – Commonly Asked Questions

Click on question to go to the answer

### CONSTRUCTION COSTS

[What do BER project costs cover?](#)

[What affects the cost of a project?](#)

[What can affect project costs once construction starts?](#)

[Why do costs vary so much? Why are square metre rates misleading?](#)

### PROJECT COSTS

[How is value for money achieved?](#)

[What is a Preliminary Cost Estimate \(PCE\)?](#)

[What is the Estimated Construction Cost \(ECS\)?](#)

[Why does the ECS sometimes include Design and Price Risk Contingency?](#)

[Will my project be competitively tendered?](#)

[What is the Benchmark Value?](#)

[What is the Actual Construction Sum?](#)

[What is Final Cost? How much is actually paid for my school's project?](#)

### FUNDING BREAK DOWN

[What costs need to be covered in the school's allocation?](#)

[What is the school's P21 construction budget?](#)

[What are the different costs and allocations?](#)

[Managing Contractors Project Management Fee](#)

[Site Supervision](#)

[Incentive Fee](#)

[Profit Margin](#)

[BER Program Office's Program Management Fee](#)

[Design and documentation costs](#)

[Statutory Planning costs](#)

[The 5% contingency allocation](#)

[The electrical substation allowance](#)

[How is the electrical substation allowance used?](#)

### SCOPE FINALISATION

[How are projects aligned with the approved allocation?](#)

[When will the project's scope be finalised?](#)

### GENERAL QUESTIONS

[What about GST?](#)

[What are modular building coordination costs?](#)

[What are the costs of the MDR?](#)

## Construction costs

### What do BER project costs cover?

BER projects need to cover the full costs of developing and delivering the school's project. This includes the actual cost of the building works as well as the costs of all pre-construction works, site investigation, concept design, detailed planning, statutory approvals, services, site works and more.

Many schools that have had construction works undertaken at their school in the past by the Department of Education and Training may have only been aware of part of the actual costs of developing and delivering the project. This is because pre-construction, project design and development costs tend to be absorbed within the Department of Education and Training's normal business as usual activities.

[Back to index](#) ➤

### What affects the cost of a project?

The cost of a construction project depends on the type and size of the building works being undertaken as well as a range of site specific issues that affect costs such as:

- a school being located in a heritage area, flood zone, bushfire affected area or on a sloping site
- the presence of ground contamination or poor ground conditions (for example, clay soils or the presence of rock)
- insufficient capacity of existing site services - for example, a full upgrade of electrical infrastructure may be needed for a new building
- the school's location in a remote area where the costs associated with transporting resources are higher; or
- a school on a small site where the restricted access requires materials to be craned into position

The minimum quality requirements set by the Department of Education and Training's Schools Facilities Standards can mean that school projects are initially more expensive than domestic or commercial projects. Incorporating this quality upfront saves money in the long run. The Standards ensure school halls are fit for purpose and strike the right balance between the upfront cost of a building and the long-term cost of maintenance and cleaning.

[Back to index](#) ➤

## What can affect project costs once construction starts?

While site surveys and ground and service capacity investigations take place during pre-construction, it is not possible to know all the potential site risks until excavation is complete.

Unforeseen site risks can include buried asbestos, soil contamination, archaeological remains or endangered species. These risks may require new design elements or design changes. For instance, the foundation design may need to be reviewed if the soil topography is found to be different and as this may require deeper piers, it can increase the overall cost the project.

These issues can affect the construction program and require new or specialist resources which can increase costs. For example, the presence of buried asbestos or soil contaminants may require specialist excavators to be used. Any waste soil removed from the site will need to be specially treated and disposal costs can be high.

[Back to index](#) ➤

## Why do costs vary so much? Why are square metre rates misleading?

The cost of the same type of project at different school sites will vary. This is because it is the site specific issues that drive construction costs. For example, a hall on a sloping site is going to be more expensive than the same hall on a flat site because the building foundations, among other things, will cost more.

The location of the school can impact on price as well. For example, a project in a remote location is likely to cost more because of the time and costs associated with moving resources and supplies to site. Similarly, a project in a tight small site can be more expensive because the restricted access may make it necessary to crane materials into position or re-locate temporary teaching accommodation several times.

For these reasons, crude direct comparisons between projects or square metre rate comparisons are misleading. These comparisons fail to take into account site specific issues. Square metre rates are very rough, often unreliable, and don't include the costs of site specific issues or associated building works such as design finalisation, statutory planning, power upgrades or temporary teaching accommodation.

[Back to index](#) ➤

## Project Costs

### How is value for money achieved?

Value for money is embedded in every part of a P21 project. The Managing Contractors were appointed through a competitive tender process. This process ensured that the successful Managing Contractors had the skill and experience to deliver high quality school building projects within the tight timeframes set by the Australian Government. It also ensured that the successful Managing Contractors were good value for money, as each bidder had to put their most competitive price forward to be successful.

The Managing Contractors are contractually bound to seek best value for money on every school project. Value for money is tested by ensuring that every school project is competitively tendered. The competitive tender process requires builders not only to provide their best price to win the work, but also to prove that they have the skills and experience to deliver the project to the quality and safety standards required.

The BER Program Office also benchmarks every school project using tender results for the school's project and tendered costs we have received for similar projects. The Managing Contractor will only be paid the lesser of either the actual costs incurred or a maximum of 105 per cent of the Benchmark Value, as assessed by the Program Office. The Benchmark Value process controls costs on every school project and ensures that the total amount paid is fair, reasonable and above all, good value for money in the current market.

[Back to index](#) ➤

### What is a Preliminary Cost Estimate (PCE)?

A Preliminary Cost Estimate (PCE) is developed by the Managing Contractor soon after the Project Brief is issued by the BER Program Office. The PCE provides an early indication of whether the project is achievable in full or whether some changes may be needed because of site specific issues affecting project costs.

The Managing Contract uses the information in the PCE to begin working with the Principal to finalise the project scope and develop the Estimated Construction Sum.

[Back to index](#) ➤

## What is the Estimated Construction Cost (ECS)?

The Estimated Construction Sum (ECS) is developed by the Managing Contractor and assesses whether the project is deliverable within the set timeframes and the school's budget. The Program Office uses the information in the ECS to approve construction.

The ECS is *an estimate* only of the costs of developing and delivering the school's project. The ECS is not the amount which will be paid to the Managing Contractor for the works undertaken. The amount that is paid to the Managing Contractor is determined through the Benchmark Value process.

The School's project scope is set when the ECS is approved by the Program Office. The school will get the project as described in the ECS even if the tendered cost exceeds the school's budget or the overall costs increase because of unforeseen risks.

Within the P21 program, top up funding for over-budget projects can only come from another school's P21 funding allocation. The *budget transfers procedure* has been developed in consultation with the NSW Primary Principals Association (NSW PPA) to enable left over funding at one project to be transferred, with the Principal's permission, to another NSW public school project that needs it. More information on the budget transfer procedure is available in the [Budget Transfers Information Sheet](#).

Michael Coutts-Trotter, the Director-General of the Department of Education and Training, and Geoff Scott, on behalf of the NSW Primary Principals' Association, have issued a [joint memo](#) thanking Principals that have agreed to transfer left over money to another NSW Public school, and encouraging others to do the same ([click here to read the memo](#)).

[Back to index](#) ➤

## Why does the ECS sometimes include Design and Price Risk Contingency?

The Managing Contractor can include an allowance at ECS stage for design and price risk contingency. This allowance covers any unforeseen costs that arise from design documentation changes which need to be made after the project is tendered.

Any unused part of the design and price risk allocation will be released to deliver the school's approved project scope. If this funding is not required, because the school is already receiving its full project, the Program Office will seek the Principal's support to transfer this left-over funding through the budget transfers procedure.

[Back to index](#) ➤

## Will my project be competitively tendered?

Each school project will be competitively tendered. This competitive process requires builders not only to provide their best price to win the work, but to show that they have the skills and experience to deliver the school project and satisfy the standards for quality and safety. This process tests that best value for money is achieved on each school project in the current market.

[Back to index](#) ➤

## What is the Benchmark Value?

The Benchmark Value (BMV) process is a key mechanism for controlling costs and ensuring that value for money is achieved on every school project.

The Managing Contractor is only entitled to be paid the lesser of either the actual costs incurred or a maximum of 105 per cent of the BMV. The Managing Contractor is liable for all costs that exceed 105 per cent of the BMV. This is a real incentive to keep costs down for the life of the program.

As each school project nears the construction halfway mark, the BER Program Office will compare the tendered costs for delivering the school's project with the costs included in the BER cost database for similar projects.

The BMV assessment is based on design documentation, preliminaries, substructure, superstructure, site works and site services. Each component is based on competitively tendered prices received by the Managing Contractor.

The BMV process controls costs on every school project ensuring that the total amount paid is fair, reasonable and, above all, good value for money in the current market.

[Back to index](#) ➤

## What is the Actual Construction Sum?

The Actual Construction Sum (ACS) is the actual amount of money the Managing Contractor has had to pay to building sub-contractors and professional consultants to deliver the school's project from inception to completion.

The ACS is *not* necessarily the amount that is actually paid to the Managing Contractor because the Managing Contractor is only entitled to the lesser of either the ACS or a maximum of 105 per cent of the Benchmark Value.

[Back to index](#) ➤

## What is Final Cost? How much is actually paid for my school's project?

The final cost or the actual amount paid to the Managing Contractor for the project will not necessarily be the ECS, the BMV or the ACS amount.

The final cost of the project or the actual amount paid to the Managing Contractor will be the lesser of either the actual construction costs incurred by the Managing Contractor or a maximum of 105 per cent of the Benchmark Value.

For example, the benchmark value for a project is \$100,000. The actual cost incurred by the Managing Contractor in delivering the project was \$120,000. The Managing Contractor is only paid \$105,000 because this is the lesser of the actual cost incurred and 105 per cent of the BMV. The Managing Contractor is required to cover the \$15,000 difference.

[Back to index](#) ➤

## Funding break down

### What costs need to be covered in the school's allocation?

The school's allocation is the amount of funding which the Australian Government has approved. The school's page on the BER Website shows the school's approved funding allocation.

Each school's P21 allocation needs to cover the full costs of developing and delivering the school's project. This includes the actual cost of the building but also the costs of all pre-construction works, site investigation, concept design, detailed planning, statutory approvals, services, site works and more.

[Back to index](#) ➤

### What is the school's P21 construction budget?

The school's construction budget is the amount of the schools allocation that is left after the following allocations are set aside:

- 1.3% of the school's allocation for BER Program Office management costs. 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 National Building and Jobs Plan Taskforce.
- 5% of the schools allocation is set aside as a contingency for unforeseen risks and to cover

the final cost of the project up to the maximum of 105% of the Benchmark Value. Unforeseen risks can include for example latent ground conditions, the late discovery of asbestos and poor weather conditions that affect construction timeframes.

- \$100,000 or \$50,000 for hall and library projects respectively is set-aside to cover the costs of electrical substation and network upgrades which are needed to ensure that schools have sufficient electrical capacity to operate new buildings and the rest of the school site. The upgrades are only required if the existing infrastructure is not be able to meet the additional power needs of the new building. The upgrades will be sufficient for schools to continue to grow into the future and increase their use of information technology.

Incentive Fee - The State-wide average for the incentive fee is 1.6 per cent. The Managing Contractor only receives the incentive fee if it delivers school project(s) on time and within the BMV in accordance with the contract.

[Back to index](#) ➤

## What are the different costs and allocations?

Costs	State Average %
Managing Contractor Project Management	2.7%
Site Supervision	6.6%
Incentive	1.6%
Profit Margin	2.8%
BER Program Office Project Management	1.3%
Contingency	5%
Electrical Upgrade	\$50,000 for library /\$100,000 for hall

[Back to index](#) ➤

### Managing Contractors Project Management Fee

The average project management fee paid to the Managing Contractor is 2.7 per cent. Actual project management costs in each region were set through a competitive tender process and reflect value for money in the current market.

The Managing Contractor's project management fee covers 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.

[Back to index](#) ➤

### Site Supervision

The Managing Contractors tendered a set amount for site supervision. The State-wide average for this is 6.6 per cent.

Site supervision ensures the works are carried out safely, and that tradespeople, teachers, and students are kept safe. Effective site supervision is critical in a program as large as P21 where works are undertaken all year round, including during school terms to meet the tight deadlines.

Site supervision includes developing, implementing and monitoring the school site specific occupational health and safety regimes 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.

[Back to index](#) ➤

### Incentive Fee

The Incentive Fee was set during the competitive tender process. The State-wide average for the incentive fee is 1.6 per cent.

The Managing Contractor only receives the incentive fee if it delivers school projects on time and within the BMV in accordance with the contract.

The Australian Government has made it clear that P21 funding is conditional on the timeframes being met and that there is no additional funding for over-spends. The Incentive Fee ensures these program risks are managed and that no funding is lost.

[Back to index](#) ➤

### Profit Margin

The profit margins in each region are low and were set through the competitive tender process. The State-wide average profit margin is 2.8 per cent.

[Back to index](#) ➤

### BER Program Office's Program Management Fee

The Australian Government is providing funding of 1.5 per cent of the total BER program value on top of the funding provided for individual school projects. This funding does not come out of the school's funding allocation.

Just 1.3 per cent of a school's allocation is used to cover project management costs incurred by the BER Program Office. 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 National Building and Jobs Plan Taskforce.

[Back to index](#) ➤

### Design and documentation costs

The use of standard designs for halls, libraries and classrooms helps reduce the amount of time it takes to develop and deliver a project. However, the buildings still need to be sited, the foundations designed, the site surveyed and the ground conditions tested. These activities are a necessary part of any construction project and they cost money.

Design and documentation costs include the development of all professional construction documentation from architects, engineers and surveyors. It also covers the costs of site surveys, investigations and visits to finalise the project scope and preferred building siting.

[Back to index](#) ➤

### Statutory Planning costs

Almost all new construction projects, and some refurbishment projects, need to have statutory planning approval before building can start. The statutory planning process can be costly, particularly if the school's site is heritage listed or located in a flood and bushfire zone and specialist planning reports are required. These reports are critical to the design and approval processes and are a necessary cost of delivering a project.

[Back to index](#) ➤

### The 5% contingency allocation

The BER Program Office set aside 5% from every school's allocation as a contingency. Contingency funding is set aside to cover *only* the costs of unforeseen risks which may emerge during construction such as buried asbestos-containing materials, soil contamination, archaeological remains, endangered species or unidentified topographical or geological issues.

The contingency is in addition to the schools project budget and is *only* available to cover the costs of unforeseen risks; not additional project scope. Any amount of contingency which is not required to cover the costs of unforeseen risks at one school may be used to cover unforeseen risks at another P21 public school project, in accordance with the Australian Government's guidelines.

[Back to index](#) ➤

### [The electrical substation allowance](#)

For hall and library projects respectively, the BER Program Office identified \$100,000 or \$50,000 of the schools allocation to cover the costs of electrical substation or network upgrade works.

New halls and libraries contain a lot of new equipment which can increase the electricity demand of a school to the point that sub-station or network upgrade works are required. If these works are not undertaken the school will not have sufficient electrical capacity to operate new buildings and the rest of the school site.

The upgrades are only required if the existing infrastructure is not be able to meet the additional power needs of the new building. The upgrades will be sufficient for schools to continue to grow into the future and increase their use of information technology.

[Back to index](#) ➤

### [How is the electrical substation allowance used?](#)

At Estimated Construction Sum stage (ECS), the full allowance for electrical sub-station and network upgrade works is retained in hall and library projects because it is generally too early to know the actual cost of these works of if the upgrade is needed.

Once the ECS is approved, the Managing Contractor will work with the relevant electrical authority to determine whether an upgrade is required and, if so, the cost of the upgrade. Any unused part of the electrical substation allowance will be released to deliver the school's approved project scope.

The school's project budget and contingency will be used to cover the costs of electrical sub-station works if they exceed the allocation set aside. The BER Program Office will provide further funding if it's needed.

[Back to index](#) ➤

## Scope finalisation

### How are projects aligned with the approved allocation?

The full cost of each school's P21 project needs to fit within the school's funding allocation. To achieve this it may be necessary for the Principal to work with the Managing Contractor and the BER Program Office to identify project savings or make scope changes.

For example, in some cases the size of a building may be reduced, or it may be moved to a site that is more level or has fewer underground defects. In other cases the BER Program Office talks to Principals about key priorities for the school and the local community to help re-focus the project's scope.

The majority of projects are affordable within the school's funding allocation. The Managing Contractors are working successfully with school Principals across NSW to ensure this is the case.

[Back to index](#) ➤

### When will the project's scope be finalised?

The school's project scope is set when the ECS is accepted by the BER Program Office. The school will get the project described in the ECS delivered even if the project costs increase as a result of unforeseen risks or changing market conditions.

[Back to index](#) ➤

## General questions

### What about GST?

The Australian Government's funding is exclusive of GST. The Department of Education and Training has to pay GST on every school project and then claim it back from the Australian Government.

For example, if a school's allocation from the Australian Government is \$3 million (excluding GST), the Department of Education and Training has to pay \$3.3 million (including GST) to have the project undertaken and then claim the \$300,000 GST back from the Australian Taxation Office. This is why the cost breakdowns on the website are all GST exclusive.

[Back to index](#) ➤

## What are modular building coordination costs?

The coordination fee for the Modular Design Range (MDR) represents the cost of arranging the delivery and installation at the school site. This includes protecting drainage gulleys from truck damage; identifying and protecting underground power, sewerage, water and gas lines; and planning in detail when power and water services will terminate to enable hook up of the modular building.

[Back to index](#) ➤

## What are the costs of the MDR?

Early on in the program some old costs were distributed for modular buildings such as MDR libraries. These costs were indicative only.

The modular buildings being developed through the P21 program have been competitively procured by the Department of Services, Technology and Administration (formerly the Department of Commerce) on behalf of the NSW Department of Education and Training. There are several suppliers in place and the actual costs of modular buildings vary depending on the supplier and the school's location and associated travel and delivery costs.

The cost of the modular building includes the cost of the building from the floor up only. It does not include design, site investigation, planning, engineering, administration, management, water connection, power connection, foundations, footings, access ramps, pathways, substructure, furnishings and commissioning.

The MDR buildings meet the Schools Facilities Standards. There is no difference between the quality of the MDR building and other building ranges developed by the Department of Education and Training, such as the CDR.

MDR buildings include important sustainable design features such as passive cooling technologies that maximise cross ventilation and insulation in all walls and ceilings. The buildings are also sited to minimise sun exposure. These measures mean that electrical cooling, such as reverse cycle air-conditioners, are not required unless the school is located in the 'hot-zone', in accordance with Department of Education and Training's policy.

[Back to index](#) ➤