

Opening statement for the BER P21 Senate Hearings 19 May 2010

Introduction

- Thank you for the opportunity to represent the Queensland Government at the Hearing this afternoon.
- I would like to mention that also in attendance with me is my colleague Mr Malcolm Grierson, the Director-General of the Queensland Department of Public Works, my acting Deputy Director-General, Graham Atkins, Executive Director, Infrastructure Programs Management, Mr Craig Robinson and Mr Paul Krautz the Director of the Program Manager's Office for Nation Building in Queensland.
- The Queensland Government welcomes the opportunity to participate in the Australian Government's *Building the Education Revolution* (BER) program which will deliver close to \$2.1 billion in infrastructure projects in Queensland state schools over four financial years.
- The Queensland Government supports the objectives of the BER program.
- As we did in our written submission I will focus today on the Queensland Government's implementation of the BER program, particularly the *Primary Schools for the 21st Century* (P21) program element, in Queensland state schools.
- The P21 element will deliver significant infrastructure to every eligible primary, special and P-10/12 state school in Queensland, including resource centres, multipurpose halls and new classrooms.
- These new resource centres will provide an environment for students to work collaboratively on innovative teaching and learning enterprises.

- While multipurpose halls help support the Government's increased emphasis on physical activity in the school curriculum and the growth of our creative and performing arts program.

Qld Government submission to Senate Inquiry

- Late last year the Queensland Government made a written submission to this inquiry. In it we highlighted both the benefits of the BER program to DET and to Queensland as well as some of the challenges we currently face.
- For instance we noted that balancing the Australian Government's program requirements for rapid delivery, meeting school community needs, ensuring value for money and providing opportunities for local consultants and contractors will remain an ongoing challenge for the state's implementation.
- This is as relevant today as much as it was last year.
- However we also noted that the state was well positioned and is responding to these challenges by utilising and building on our existing capital works program management, procurement and delivery capabilities.
- Today I want to focus on these issues.

BER P21 in Queensland state schools

- The P21 element represents some \$1.8 billion investment in projects being delivered in 1080 Queensland state schools over four financial years, with the bulk of this program to be delivered within two years.
- This includes a total of 1606 projects in 1080 state primary, special and P-10/12 schools. Broken down this represents:

- \$490 million for 380 projects in 216 schools approved in the first round.
 - \$788.9 million for 699 projects in 492 schools in the second; and
 - \$519.6 million for 527 projects in 372 schools in the third.
- As of today¹, 352 P21 projects have been completed in 207 Queensland state schools at a total cost of \$439m. This represents 21% of the total number of projects in this program element.
 - These completed projects consist of 178 resource centres (libraries), 155 multipurpose halls, 7 covered outdoor learning areas and 12 other projects.
 - The state is proud of its achievements and particularly proud that Yandina State School was the first P21 project completed in Australia, some sixteen months ahead of Australian Government requirements.
 - Similarly Queensland also completed the first *Science and Language Centre for the 21st Century* (SLC) project in Australia, a land and sea management centre, at Innisfail State College.

Initial program formulation

- Given Queensland's decentralised geographical nature, a key issue in the early stages of our state's BER program formulation related to the potential to utilise a needs-based model while aligned to the Australian Government's BER priorities. This included our desire to ensure an equitable allocation of funding in rural and remote locations developed through a locality index based distribution model.

¹ Data as @ 4 may 2010

- The BER guidelines, published on 26 February 2009, required all schools to be allocated their published funding cap. DET was able to respond to the clarification of this requirement and re-establish our BER program to be compliant with the published BER guidelines.
- This created some initial challenges for the Queensland Government at the time in relation to some of our more regional and remote schools as well as some of our older schools, however I am very pleased to be able to report here that these issues are now well and truly behind us.
- From the very early program implementation stages, we provided resources to the program in order to provide maximum support for school principals and school communities.
- Since then BER Project Coordinators have been appointed to assist each school principal and their community to develop the schools' priorities, provide advice and to liaise with privately appointed project managers and contractors.
- These Project Coordinators provide a critical contact point and support role for schools and project managers and are very much the public face of the BER program for Queensland state schools.
- To meet the requirement of the Australian Government to accelerate the commencement of this stimulus package the Department of Education and Training also developed template designs to ensure the economic benefits and job creation from BER were realised as early as possible. This enabled the planning and design phase for the majority of our projects to be accelerated. These template designs gave schools a starting point for this crucial planning phase of their BER journey.

- These designs were further developed through an analysis of current best practice in our state schools and in accordance with departmental standards of functionality, flexibility, minimum area requirements, future maintenance costs, energy efficiency and environmental sustainability.
- However I would emphasize that while these provided the basis of design, flexibility to incorporate the priorities, needs and desires of each local school community was crucial and continue to remain, paramount.

Consultation

- To this end the Queensland Government required that school principals and school communities via their Parents and Citizens Association (P&C) were consulted prior to a project nomination being submitted to the Australian Government for approval.
- Consultation continues throughout the project with school principals and P&Cs approving the project brief and detailed schematic design of the project prior to commencing construction.
- Consultation not only occurs at the local level but also state-wide.
- The BER program team in the Department of Education and Training is in ongoing contact with peak education stakeholder organisations such as principals associations, parent bodies and relevant unions.
- To ensure that stakeholder engagement is effective and our industry and education partners are informed and have the opportunity to contribute to the BER outcomes in Queensland, the Minister for Education and Training has established a BER Ministerial Advisory Committee.

- Membership of this committee consists of peak education and industry stakeholders as well as senior officers from a number of state government departments including my own.
- Membership of the committee includes representatives from:
 - Queensland Council of Parents and Citizens Associations
 - Queensland Teachers' Union
 - Queensland Association of State School Principals
 - Queensland Secondary Principals' Association
 - Queensland representatives from the Department of Education, Employment and Workplace Relations
 - Queensland Master Builders Association
 - Construction companies
 - Architecture and project management companies involved in delivering the BER program
 - Builders Labourers Federation of Queensland
 - Construction Forestry and Mining Employees Union
- This forum provides regular opportunities for all stakeholders to advise the Minister for Education and Training and the Queensland Government more broadly of any issues impacting the BER program in Queensland state schools.
- I am pleased to say that this committee provides an excellent two way communication conduit for DET and our crucial partners.
- The active participation of the members has resulted in some excellent improvements in the way that the BER program is being implemented in Queensland, and has provided an opportunity for committee members to be informed of the facts around issues upon which the media may from time to time speculate.

Program Governance

- Internally, the Department has established a BER Senior Officers Steering Committee which I chair. This committee meets frequently and considers current and emerging issues and is the primary decision making forum for issues that influence the delivery of the BER program state-wide.
- The Committee comprises senior representatives from the Department of Education and Training, Department of Public Works, Department of the Premier and Cabinet and Queensland Treasury, thus providing an integrated, connected and holistic approach to program management issues impacting on Queensland communities.
- The Senior Officers Steering Committee, along with the BER Ministerial Advisory Committee, is the foundations of the strong governance structure that manages the implementation and inherent risks in developing and delivering the BER program in Queensland state schools.

Procurement models

- I want now to turn to the way we engage project managers and building contractors to deliver the BER program on the ground. As the Committee is well aware, this has been a matter of considerable public interest.
- In order to meet the Australian Government's policy objective of providing rapid stimulus to the economy, the Queensland Government, like most other jurisdictions, decided to manage the roll-out of the program centrally.
- This central management allowed school principals to focus on their core role of managing the good order of the school and ensuring that the vital functions of teaching, learning and their student's interests are achieved. Principals are not qualified or paid to commit the significant amounts of time required to manage the minefield of specialised processes of procurement and project management of built infrastructure.

- The procurement methods used in Queensland have been selected as they provided the capacity to ensure conformity with the Australian Government's BER guidelines.
- Queensland state procurement models have been developed to achieve a number of goals, these goals include:-
 - Capacity to conform to the Australian Government BER guidelines and funding model for the three rounds of the P 21 program, particularly the requirements for rapid implementation.
 - Deliver value for money outcomes
 - Respond to the geographic diversity of our state
 - Ensure the safety of our school communities and to minimise disruption
 - To ensure that as many levels and sectors as possible of the Queensland construction industry are able to participate in the Building the Education Revolution Program.
 - Minimise the number of consultants and contractors interacting with individual schools where possible.
- The Department of Public Works is working closely with DET has developed procurement models for BER that respond to these goals while ensuring our own additional requirements, such as conformance with the Capital Works Management Framework are also achieved.
- DPW is also responsible for supply chain management and have had to ensure that contractors and workers have been available to deliver BER projects in the most remote areas of our state as well as other areas that are industry hot spots where trades and labour are in short supply.

DPW has responded to our needs and have developed a procurement plan that encompassed four fundamental

procurement methodologies for the delivery of the entire BER program in Queensland state schools. These are:

- design and construct lump sum contracts
- construction management arrangements
- traditional delivery models
- direct procurement of goods and services by DET procurement officers

Ensuring value for money

- While these procurement methodologies are designed to ensure value for money, there have been a number of misconceptions reported recently that allege otherwise.
- In Queensland we pre-empted the issues and perceptions that could arise through the delivery of this massive community based infrastructure program and with our commitment to transparency and accountability in departmental dealings we have developed and implemented processes integral to the management of all projects funded under the P21 element that ensure we can respond to concerns that are raised.
- For all P21 projects we have introduced a second layer of checking processes through the engagement of audit quantity surveyors.
- The audit quantity surveyor reviews prices submitted by consultants or contractors at the preliminary stage and compares these with similar projects state-wide to ensure they represent market rates.
- This process is repeated when tenders for construction are received.
- It is common for these cost auditors to analyse prices, seek clarification and in a small number of instances, recommend that prices are renegotiated or the project retendered if costs are unreasonable.

Workplace health and safety

- While ensuring value for money, high standards are also rigorously maintained in the BER program. For instance ensuring high standards for workplace health and safety are established and maintained is paramount, for builders to comply with. This not only ensures their own safety but that of our children, school communities and school staff as construction work is undertaken within operating school environments.

Independent reviews

- While the Queensland Government is confident that it is implementing the BER program appropriately and efficiently, it is also appropriate that the program be independently assessed to ensure that all aspects of the BER program were capable of withstanding external review.
- To this end, in 2009 DET engaged independent consultants PricewaterhouseCoopers (PwC) to examine its implementation of BER and investigate any evidence of costs that may be inflated above fair market value.
- PwC's first report in September 2009 was, overall, very positive. It found that the BER program in Queensland will achieve value for money, design standards are based on current best practice and coordination of the BER program by DET means that schools are better able to maintain their focus on teaching and learning.
- The Department has recently re-engaged PwC to conduct a second review.
- The second phase scope of PricewaterhouseCoopers current work is to:
 - Examine a sample of BER projects including:

- Previous key documentation and processes relating to time, cost, scope and quality to determine their compliance
- The effectiveness of achieving value for money
- Professional costs associated with BER projects
- Surveying the perceptions of stakeholders
- Consult stakeholders
- Review the implementation of the BER guidelines that could not be fully assessed in the first review, including progress made towards recommendations made
- Investigate issues received by:
 - Establishing a contact point for receiving complaints;
 - Examining documented evidence;
 - Review each complaint and project documents; and
 - Provide a report on findings.
- A report is anticipated in June 2010.

Issues

- I am confident that the vast majority of schools and school communities are satisfied with their BER project and the government's management of the BER program.
- However a very small number of groups and individuals have been vocal in raising issues through the media, mainly concerning perceptions surrounding value for money, neighbourhood/community concerns and siting issues. These issues have been resolved, or are in the process of being resolved, through extensive consultation with all affected parties.
- The Department of Education and Training has to date registered 12 formal concerns, these have been recorded on the BER complaints register.

- These 12 concerns are based on projects that represent approximately 1/4% of the nearly 5000 BER projects being managed by the department.
- The concerns consist of:
 - 5 issues relate to value for money concerns
 - 6 issues are not value for money concerns and relate to issues required clarification during the design phase.
 - 1 School concern relates to a community impact issue on the location of the hall.
- Of these, two have received extensive media coverage, namely from Holland Park State School and Hendra State School.
- Issues raised include procurement strategy, fee structure and value for money.
- However any allegation in these two instances are premature as both construction projects are currently out to tender.
- The Department has referred these allegations to PricewaterhouseCoopers for independent examination. The investigation is currently in train.
- The Department also acknowledges the establishment of the BER Taskforce by the Australian Government and is looking forward to working collaboratively with the Taskforce as it performs its vital role.
- The two levels of government will continue to work cooperatively to ensure that Queensland's work on reviewing the BER program complements the work of the Australian Government and the BER program is delivered successfully for all stakeholders.

- I would also like to point out that while these reviews are occurring the Queensland Audit Office is also conducting its own audit of the Department's BER program in line with standard audit processes for government programs.
- This audit includes a review of financial transactions and a performance audit on the Department's implementation of the BER program. Both QAO and PwC are in contact to minimise any duplication.

Conclusion

- In wrapping up I would emphasise that the BER program is a significant and welcomed investment by the Australian Government in Queensland state school infrastructure. There is much evidence that the building industry has been revived, jobs have been sustained in the building and construction industries and local economies stimulated by this program. It has also provided ongoing benefits to all Queensland schools and school communities for the long term.
- The PwC has already provided reassurance that the implementation of BER is occurring successfully in Queensland state schools.
- Balancing the Australian Government's requirements for rapid delivery, school community needs, value for money and local consultants/contractors will remain an ongoing challenge for the state's implementation.
- The state was well positioned and has responded to these challenges with existing capital works program management, procurement and delivery capabilities.
- School communities have overwhelmingly welcomed the program and are indicating their satisfaction with its implementation.

- The Queensland Government looks forward to continuing to work with the Australian Government to successfully implement the objectives of the BER program.

Thank you.

Attachment D

List of information/reports the Department of Education and Training provides to Department of Education and Workplace Relations on the BER program.

- Implementation Plan
- Monthly Reports
- Project Variations
- Responses to requests for specific information
- The Department's complaints process

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