

## **SOUTH AUSTRALIAN COMMISSION FOR CATHOLIC SCHOOLS**

### **SUBMISSION TO THE SENATE EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS COMMITTEE INQUIRY INTO THE PRIMARY SCHOOLS FOR THE 21<sup>ST</sup> CENTURY PROGRAM – October 2009**

In February 2009 DEEWR employees outlined the Building the Education Revolution (BER) program to representatives of the Non-Government education sector for the first time with the key element being the Primary Schools for the 21<sup>st</sup> Century (P21). While the sheer magnitude and speed of the program was immediately daunting it was clearly identified that the critical underpinning objective of the program was part of the Australian Government's Economic Stimulus Plan responding to the global economic downturn prevalent at that time.

The total funding forecasted equated to forty times the annual capital funding allocation to Catholic Education South Australia (CESA) through the General Element Capital Grants Program and offered a much welcomed and exciting opportunity to achieve educational outcomes for all schools within the sector. While the opportunities were obvious, the time constraints raised concern over the ability of both the education sector and construction industry to respond in a timely manner and still achieve value for money from this 'once in a lifetime' program.

Mobilisation of SA Catholic Schools was initiated through a series of information sessions and seminars which gave school leadership a glimpse of the potential for the program but also the expectation of the work required to bring that potential to realisation. Controlling expectation through a continual flow of information and support was critical to guide school leadership teams, some of whom had never undertaken a capital project before.

By leveraging off familiar internal systems for developing school capital projects and tailoring them to achieve the BER guidelines CESA was able to advance projects at all eligible schools. Utilising a group of experienced Principals well versed in working with capital development projects enabled support and mentoring to be spread through the sector.

Empowering school communities with a sense of control and input to their project was critical for them to embrace the program, and within the time between announcement of the program and lodging of applications the sector responded quickly and professionally. Moving from that position to construction was always going to be a challenge particularly while trying to control project scope and cost, and while there have been difficulties great advances have already been achieved in less than eight months.

Below are responses to the specific submission criteria forwarded to CESA:

#### **1. Conditions and Criteria for Project Funding**

While the preferred infrastructure objectives for the P21 Element were stated in the program guidelines, CESA found enough flexibility within the criteria for school communities to have constructive input to designs and achieve projects which met broad community needs while still meeting the requirements of the program.

The majority of sites for CESA parish-based schools are relatively small and constrictive, and as a result the ability to tailor project designs instead of utilising design templates was critical. The added benefit was that school communities gained a sense of ownership for their project which was critical in getting schools to mobilise in such a short time. The conditions for funding being based on student enrolments was generally seen as being fair and equitable, and while there were one or two anomalies within the sector due to enrolment numbers experiencing extreme growth, DEEWR were supportive in helping the sector resolve the issues for the best outcome.

One of the critical conditions for the BER funding related to commencement and finishing timelines for individual projects. This condition in isolation has been demanding of schools and supporting

authorities but has been further impacted by the pressures experienced within the construction industry and the ability to achieve 'value for money' outcomes. DEEWR have shown a willingness to be understanding of these issues through the variation process; however, the initial timeframe around development of applications was particularly difficult.

## **2. Use of Local and Non-Local Contractors**

Generally in the larger regional centres around the State we have been able to source local contractors for our projects and where this has not been practical the selected contractor has had a proven record in the area for sourcing local sub-contractors.

Projects in Port Lincoln and Whyalla are being undertaken by a local west coast contractor, projects in Mount Gambier, Millicent and Penola by builders from the south east region of the State, while projects in Yorketown, Wallaroo and Clare are being completed by local contractors from Yorke Peninsula and mid north. A contractor with extensive work in the Far North of the State is undertaking projects in Port Augusta and Port Pirie and has historically made use of local sub-contractors where possible.

Three projects in smaller regional mid-north areas are being procured through a factory-based light weight construction method where the buildings are constructed near Adelaide and located on site. All remaining site works are being done by local contractors in each of the centres.

The remaining metropolitan and outer metropolitan projects are all being constructed by local builders to the Adelaide area with the full expectation that they will utilise their normal range of local sub-contractors and suppliers.

## **3. Role of State Governments**

The role of the State Government has been most noticeable in extending the planning approval role of the Office of Coordinator General (OCG) to include the Non-Government sector. The process has allowed non-government applications to be considered by the OCG for exemption from normal planning processes and offered CESA a degree of certainty to the timelines required to gain planning approval for projects.

CESA's working relationship with the OCG has been exceptional with detailed guidance and information being offered in support of each project through the required approval processes. Where problems have arisen with a planning approval, mainly due to objections raised by local communities, the OCG has facilitated discussion and actively worked with all concerned to resolve issues.

## **4. Timing and Budget Issues, including Duplication**

The size, speed and complexity of the program has created enormous strain on existing infrastructure and staffing levels; however, the provision of a fair administrative allowance has enabled CESA to employ experienced staff to administer the program.

From the outset of the program timing for the roll-out of projects was a concern, particularly in CESA's ability to ensure value for money in a heated market. Added problems facing the South Australian situation was a construction industry still relatively buoyant in comparison with some eastern States and an underlying shortage of skilled trades within the industry.

While budgets for projects were quite generous for the desired outcomes there has been increasing pressure on cost which goes beyond the single tendered price for the project. There has been a natural escalation in some material and trade prices; however, other related cost increases such as availability of and charges for professional consultants, legal fees associated with contract formation, insurance costs and contractor preliminary costs and margins are all impacting on the scope of projects.

## **5. Requirements for School Signs and Plaques**

The SA Catholic Block Grant Authority (BGA) is well versed in the recognition requirements for capital development supported by Government Grants and the criteria established for the P21 program does not vary greatly from the existing processes. Many past Government supported programs have required the installation of plaques and display of public signage and while the length of time for display may not have been specified in such detail, the concept is not seen as anything dramatically different or requiring any undue action on the part of CESA or any of the supported schools.

## **6. Management of the Program**

Management of the program has been difficult given the Government imperative for a timely response needed as part of the Economic Stimulus Plan. The P21 application process while rushed was well coordinated by DEEWR and proceeded with minimal disruption.

Working within the constraints of program timelines, cooperation and assistance from DEEWR staff in the management of the program has been exceptional. However, three key areas - program funding arrangements, use of administrative allowances and reporting - have created a number of issues for CESA in implementing the program with schools and contractors.

The necessity for haste with the program was embraced by the SA Catholic BGA and schools were mobilised on the initial understanding that funding would be provided 'up-front'. A number of processes were developed and advised to schools which later turned out to be impossible due to changes in grant payments, primarily the staggering of instalments over the life of the program. While understanding the program was developed 'on the run' by DEEWR in response to a Government initiative, the difficulty in managing varied funding arrangements has undermined the confidence of not only the administrators of the program but also school leadership teams.

Processes developed to manage difficulties through the program by utilising interest income were impractical and greater pressure has been placed on cash flows, particularly where the sector has no capacity to arrange bridging finance.

There are concerns that project commencement and development timelines are not matched to planned distribution of funds, leading to a potential significant shortfall of funding in mid 2010. Much will be dependent upon the actual progress of projects and it is difficult to provide definitive details at this time. However, DEEWR staff have acknowledged the potential issues which may arise and are open to working with sectors to meet requirements as needed and based on evidentiary documentation.

The second area of concern relates to the advised use of administrative funds which originally was in line with procedures relating to all other capital works programs. Typically any savings achieved through the efficient and frugal management of programs by BGAs is allowed to be used to supplement the desired outcomes of that program. It allows excess funds to be allocated to projects in cases of difficulty or to extend the scope of particular projects.

This process encourages efficient administration of programs to maximise grant funds; however, Non-Government BGAs and State Departments were recently advised that this previous advice was in error and that the funds could only be used for administration of the program. Again this highlights a change in the funding advice which administrators acted upon and developed contingency plans should difficulties arise with individual projects through such a complex program.

The final area of concern relates to the reporting requirements for the program. The level and frequency of the reporting seems disproportionate to the benefits for accountability. It appears that little reference was made to the pre-existing working relationship between DEEWR and Non-Government BGAs which has facilitated the distribution and use of Capital Grant funds for over ten years. Formal accountability and acquittal processes have been in place during that time and could have acted as the basis for the BER process. Frequency and detail could have been customised to the BER requirements; however, the existing procedures are well known and trusted by both DEEWR and BGAs.

## **7. Other Related Issues**

Given the sheer magnitude of the BER program one issue that has impacted on our ability to respond is the pre-existing financial arrangements within the whole SA Catholic system which includes the education sector. The initial program funding distribution and subsequent changes to instalment payments has a huge impact on the cash flow and transactions with the Diocesan financial institutions.

Property ownership for our school sites can vary between a Parish, the Diocese and independent Religious Orders and therefore seeking bridging finance and securities has been problematic to cover the enormous expenditure emanating from the BER program. The large value of funds involved in BER has created a degree of nervousness for the financial oversight within the System and forced some specific strategies in our response to the program requirements.

October 2009