

Association of Independent Schools
of NSW Block Grant Authority Limited

**PROJECT AND CONSTRUCTION
MANAGEMENT GUIDELINES**

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Project Management:

Project Management in this document is to be understood to mean the process of managing a building project through all of its stages i.e. from the initial request of a school for a building to the final completion of all accounts including, on the way through, the appointment of consultants, preparation of budgets and sometimes even arranging the finances. In most cases the school governing body undertakes this work.

Part of this process involves the actual construction work. This may be done in a variety of ways. Sometimes by calling tenders and entering into a contract with one of the tenderers, often referred to as a "Lump Sum Contract" which may include provision for cost increases. Another method is sometimes called Project Management. In this document it will be called **Construction Management** for reasons which will become clear.

The way a "Lump Sum Contract" operates is as follows. The school community agrees to pay an agreed sum for a building described in a set of contract documents. Once the contract is signed the builder then proceeds with managing the construction and the savings he can make sometimes offset any unexpected additional costs and provided the contract does not allow him to charge for those additional costs then he gains or loses depending upon the accuracy of his initial estimate.

It can be argued, in some circumstances where a school governing body has available to it the required expertise that Construction Management is a viable option with resultant benefits to that school. These benefits should be capable of being clearly defined.

Construction Management should only be considered if the school has such expertise and personnel already within its organisation or is able to supplement already existing skills with readily available consultants who will be available over the likely period of the project.

If the school governing body does not already have some expertise in these matters the traditional method of calling for tenders with its well known safeguards is to be preferred. One real danger of Construction Management is that if adequate skills are not available to properly contract and control a project, costs can escalate and the whole project (and possibly the school) is therefore placed in jeopardy.

Construction Management may provide more control on end cost and may also shorten construction time; however this can only be assured if effective means are used to monitor the project on a regular basis and this may mean week by week.

Another advantage of Construction Management is that design changes which often do occur can be made without penalty. Experience shows that such changes in the context of a lump sum contract often result in additional costs to the proprietor or schools. Construction Management can sometimes avoid these costs or at least allow the flexibility to offset them. This does not mean that a school should assume it can take short cuts in the planning process.

A successful project using Construction Management depends on the ability of the Construction Manager to estimate final prices accurately and to keep tight control on costs as the project proceeds. The estimate needs to take into account the tendering climate in the district, and the monitoring needs to be done methodically and regularly.

The AIS NSW BGA is prepared to consider requests from Schools for Construction Management provided the following conditions are met:

1. A detailed costing of the project is to be prepared and approved by AIS NSW BGA Limited. Each proposed package or contract is to be costed. This will generally mean more than each trade being costed. For example a project costing around \$1m may be broken up into 50 or 60 elements or packages.

For example the trade called "Concrete" should be broken up into packages such as Formwork, Ground Treatment, Reinforcement Supply, Reinforcement Fixing, Concrete Supply, Concrete Placing and Curing. Furthermore the individual "packages" will need careful definition to ensure that there are no gaps. For example "formwork" will have to be defined to include removal and stripping and co-operation with other trades for penetrations and the like.

2. The administrative aspects of the contractual process need also to be carefully analysed and allowed for e.g.: insurances, Council and approval of other authorities. These costs need to be provided for in the overall costing by the school.
3. Suitable software be obtained for regular review of the variations, additional work, contract price against budget, inflation (if any contracts are let with an inflation clause), payments made and balance to be paid, all compared package by package to the original budget. This can be based on most simple spreadsheets. A copy of the proposed spreadsheet is to be provided before approval of Construction Management can be recommended. An example of an acceptable spreadsheet is shown in the attached exemplar.
4. Regular monthly reports including a copy of the updated spreadsheet is to be given to the school governing body and made available on request to the BGA. No work is to commence until the budget is agreed by the BGA. A copy of the spreadsheet with any explanations will be required.
5. On completion the BGA may require access to a copy of each of the signed contracts and a statement as to the variations that have led to the final contract amount shown in the spreadsheet. At any time the BGA may require to view the current status of contract documents.

Construction Manager

The employment of the Construction Manager should be predicated on proven ability in addressing the above requirements. It is not considered appropriate that this work be undertaken on a volunteer basis, except in very small projects. The work, if done in an appropriate manner will require regular attention. It will be obvious that if time is not spent in this area then the expected cost savings will not be forthcoming and

indeed the project may finish being more expensive than what may have been achieved under a lump sum contract.

For the employment of the Construction Manager it is considered appropriate that candidates be selected after public advertising for registration of interested parties, even in those cases where a preferred person or firm is already known.

Contract Documents

The Construction Manager will need to prepare suitable contract documents for the various packages of work. Proven ability in this area is essential. There are two basic documents. A copy of each of the proposed contract documents must be supplied to the BGA before approval can be given.

The first of these will set out the responsibilities of the various suppliers and trades and describe in detail the extent of the work. In addition the relationship to the various contractors and the client and the role of the Construction Manager in these will need to be defined in another contract document.

The second will set out the relationship between the Construction Manager and the school governing body. His fees, responsibility for cost control, the degree to which he can commit the school are all aspects that will need to be dealt with in such a document.

It is sometimes a characteristic of such arrangements that the Construction Manager will be entering into contracts on behalf of the client. If this is the case then the client will want to be very sure that there are effective limits on what the Construction Manager can commit the client to. On the other hand it may be that the Construction manager only recommends and the client enters into contracts directly with the various contractors.

Project Manager

The AIS NSW BGA will be regarding the School/Approved Authority as the Project Manager responsible for the costs of the whole project including the construction costs as well as the costs for Consultants. A similar budget and control software should be prepared for these aspects of the project.

Organisation Chart

It is recommended that an organisation chart be constructed to clearly define the relationships which exist between all parties. This chart is to be used to establish role definitions included in the various contract documents.

Contract Limits

The Commonwealth guidelines require public tendering for all contracts over \$100,000. This requirement can be met by calling for registration of firms interested in tendering and giving documents for pricing only to those considered to be capable

of doing the work.

Most contracts let under a Construction Management arrangement will be less than this in which case the Commonwealth requirement to call 3 quotes will apply.

In all cases where quotes and public tenders or registrations of interested parties are called, proper documentation of the advertising and the actual quotes received needs to be maintained. Originals of all documents must be kept for review by the NSW AIS BGA representative at anytime up until the final grant monies are paid out.

Summary

In summary, the AIS NSW BGA minimal requirements for Construction Management are:

1. A detailed description of the "exceptional" circumstances which the school considers warrants Construction Management rather than the Lump Sum tender:
 - outline of the benefits/losses
 - outline particular building circumstances in the district which lead to the request for approval of Construction Management.
2. Organisational Chart for the proposed Construction management (see example)
3. A detailed description demonstrating the capacity of the school governing body to manage the project in the way being proposed.
4. Details of fees to be paid to the Construction Manager and of his responsibilities and duties (including the limits within the construction Management must operate - to what extent may he commit the school's governing body)
5. Assurance that public tenders will be called for all major elements of the project above \$100,000 and three quotes obtained for all other aspects of the project.
6. A public invitation for the registration of interest to be called from project or construction managers.
7. Records of all assessments, tendering arrangements and results, payments and accountability processes to be available to the BGA.
8. A detailed costing of the project to be prepared and approved by the school governing body. Each proposed "package" or contract is to be costed.
9. Suitable computer software to be obtained for regular review of the contracts as they are let, the variation which take place, inflation (if any contracts are let with inflation clauses) payments made and balances to be paid, all compared package by package to the original budget (see attached sample spreadsheet)

10. No work to commence until the budget is prepared.
11. Regular monthly financial reports in the above format to be provided to the school governing body and available to the BGA on request.
12. On completion, copies of each of the signed contracts and a statement as to the variation which have occurred and led to the final contract amount shown on the spreadsheet, to be available to the BGA if requested. At any time the BGA may require to view the status of the contract documents.
13. Suitable contract documents will need to be prepared; one to set out the responsibilities of the Construction Manager to the school governing body and the other between the school governing body or the construction manager acting on its behalf and the various contractors, suppliers or trades. Copies of these should be available to the BGA on request.
14. The BGA will be regarding the school governing body as the Project Manager, responsible for the costs of the whole project. A similar budget and cost control mechanism, probably best provided in some form of computer software should be prepared for those aspects of insurances, Council and other fees and approvals.

Attachment:

R.E. WHITFIELD
Secretary AIS NSW BGA Limited