

# Cost Management Initiative

## Constructing Excellence

November 2019

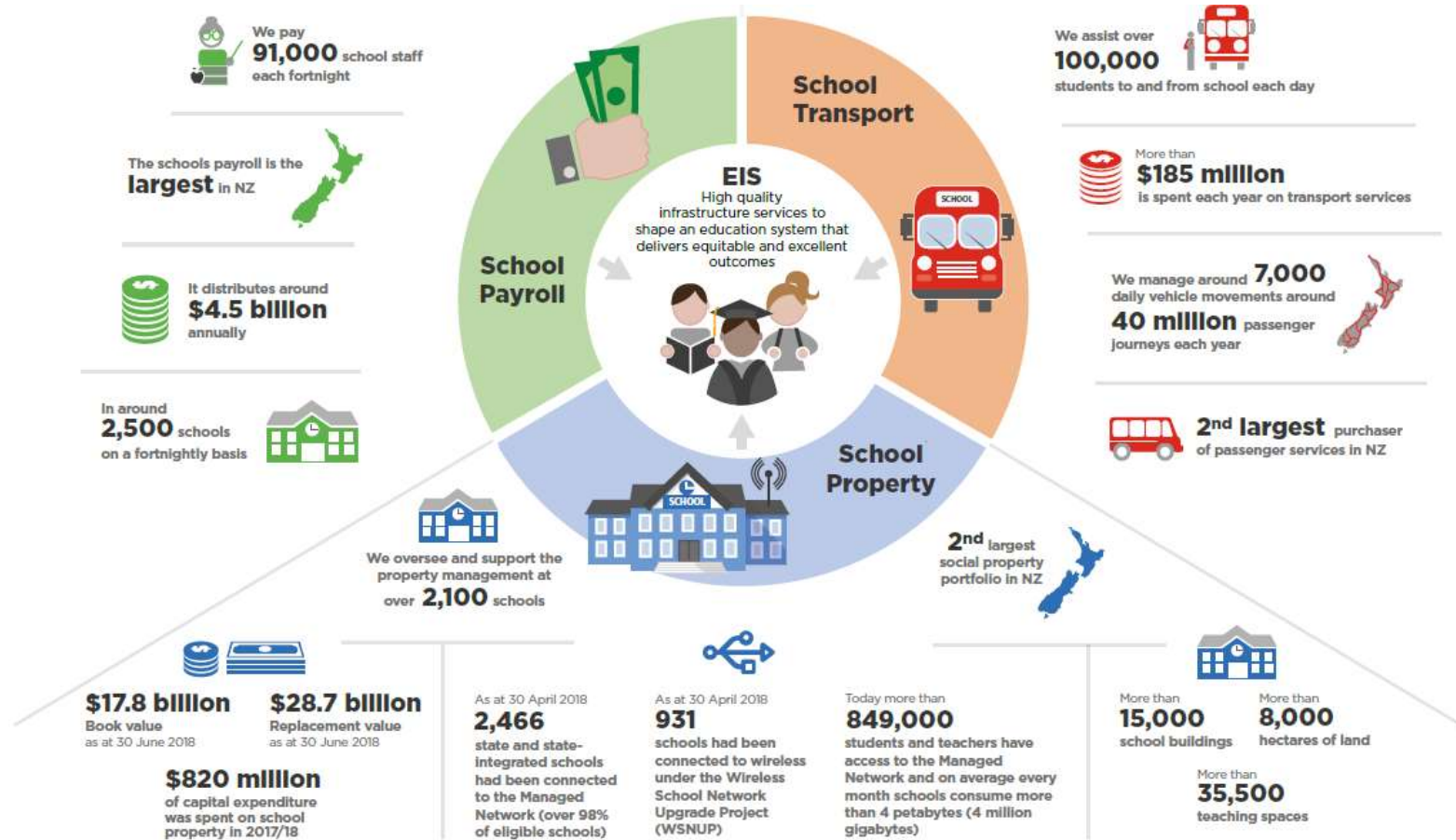


MINISTRY OF EDUCATION  
TE TĀHUHU O TE MĀTAURANGA

[education.govt.nz](http://education.govt.nz)

“let's **call a spade a spade**, not a gardening tool”

# Education Infrastructure Services





## **Sustainable portfolio**

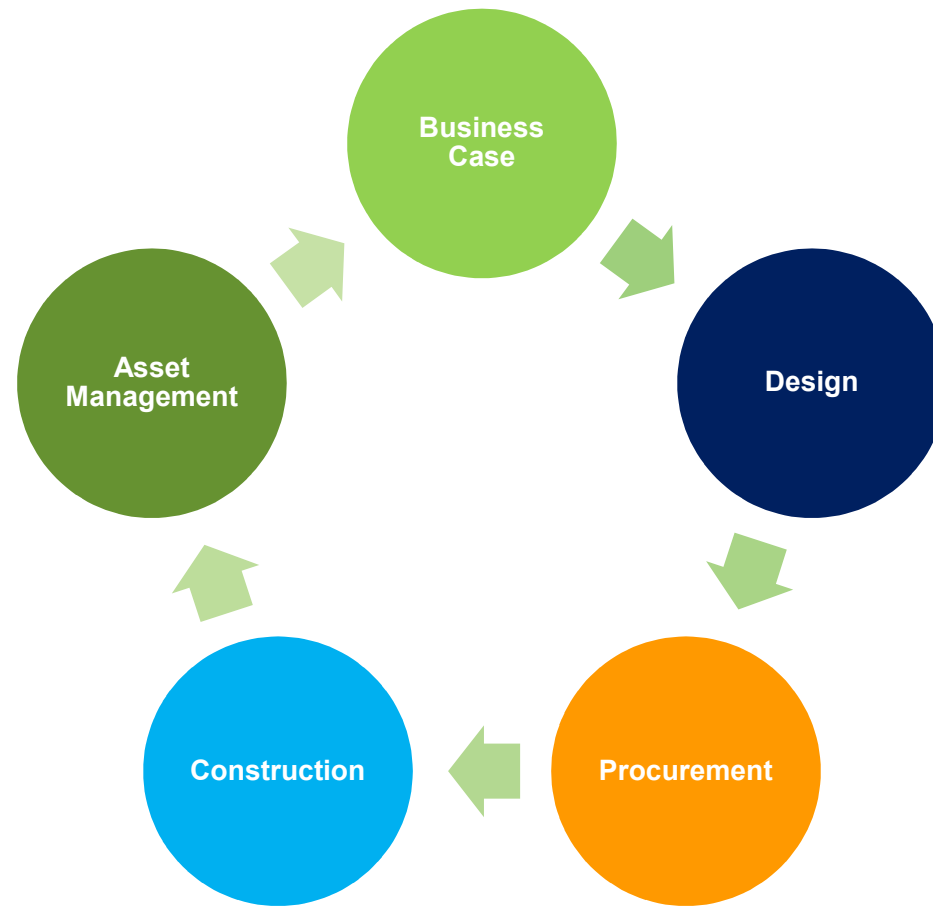




A photograph of three children standing on a grassy hillside, looking out over a coastal landscape. The child on the left is wearing a green puffer jacket and a grey knit hat. The child in the middle is wearing a blue hooded jacket. The child on the right is wearing a red jacket. In the background, there is a body of water and distant hills. The left side of the image has a green geometric overlay.

# Project Overview

# What is the Cost Management Initiative?



# Construction Sector Accord

The Ministry is a signatory to the Construction Sector Accord and is committed to playing its part in delivering on the pledge to:

- Hold ourselves and each other accountable to the Accord and challenge contrary behaviour
- Work together to develop a plan for change that has collective intent
- Work differently to build a stronger partnership between government and industry
- Promote the Accord and encourage others to commit to it
- Engage regularly to discuss and report on progress



A shared commitment between government  
and industry to transform the construction sector

APRIL 2019

# Who are our stakeholders?



EIS Capital Works

New Zealanders

Our Schools

Construction Directory

Ministry Consultants

Business Case Team

Procurement

EIS Finance

The Treasury

Strategic Asset Management

Te Haratu

Infrastructure Teams

Wider Govt Property

Construction Sector Accord



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# Research & Development



# Investigation Phase

## Benefits

What could be achieved in the short term and what future benefits could be realised?

## Challenges

Analysis of potential issues and engagement on wider issues.

## Feedback

What is the stakeholders position, where can improvements be made?

## Research

Further areas of investigation, options and benefits still to be explored.

# Expected benefits



## Time

Procurement timeframes (time to contract).  
Reduction in value engineering and Ministry change requests



## Collaboration

Better and more regular engagement – collectively and individually  
increased investment cycle integration



## Risk

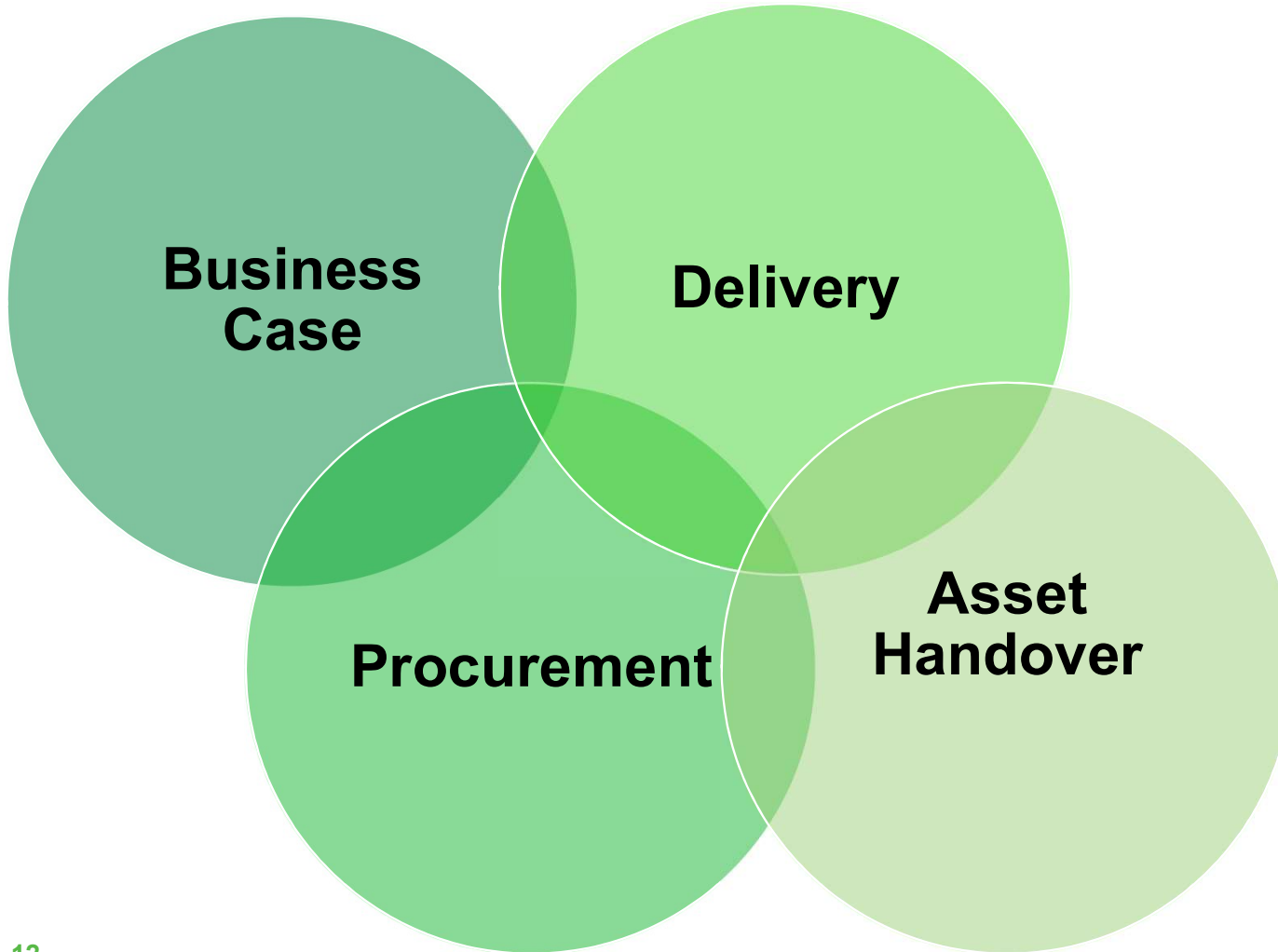
Better risk management through improved procurement and investment planning (Pipeline).  
Greater understanding of scope risk at business case level.



## Quality

Consistent and standardised pricing, aligned with industry standards  
Better understanding of construction cost data – for us and our suppliers

# Process Challenges Identified



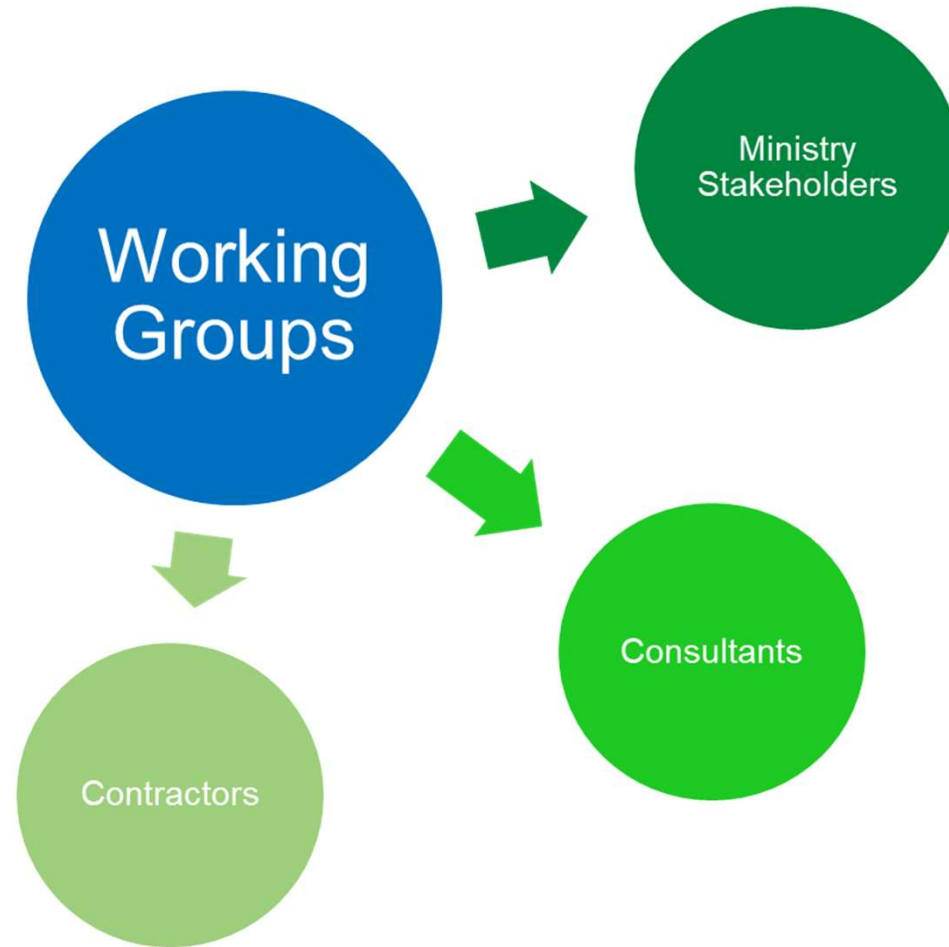
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## Resulting in:

- Uncertainty
- Project delays
- Increased project costs
- Undefined outcomes
- Frustration

For the school, the Ministry and Suppliers.

# Stakeholder Engagement





# Stakeholder Engagement



<b>Attendees / Venues</b>	<b>Hamilton 27<sup>th</sup> June</b>	<b>Auckland 5<sup>th</sup> July</b>	<b>Wellington 8<sup>th</sup> July</b>	<b>Christchurch 9<sup>th</sup> July</b>	<b>Totals</b>
Contractors	10	20	10	16	56
Consultants	-	11	9	14	34
<b>Total</b>	<b>10</b>	<b>31</b>	<b>19</b>	<b>30</b>	<b>90</b>

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# Objectives



# Objectives – Cost Models & Data Trending

<b>What?</b>	<b>How?</b>
<b>Greater accuracy in pre-contract budgeting</b>	By collecting and analysing standardised cost data to derive an elemental \$m2 for various buildings/scopes
<b>Grater collaboration between business units</b>	The collection and dissemination of standard data sets and portfolio information to support collaboration and
<b>One source of reliable cost data - to establish trends &amp; allow for comparison</b>	Visual analysis of data across projects dashboard tools highlighting key data insights, backed up by a robust business process
<b>Ever increasing data intelligence</b>	Progress towards ongoing improvements through the constant update and analysis of new data.



# Objectives – Project Delivery

What?	How?
<b>Reduced time to contract</b>	Sufficient budgeting allowance, relevant to the projects conditions. Streamlined procurement process.
<b>Increase delivery efficiency</b>	Consistent pricing expectations, simplified processes, project reporting & better understanding of risk.
<b>Developing understanding of construction costs</b>	Visual analysis of data across projects dashboard tools highlighting key data insights, backed up by a robust business process
<b>Increased efficiency in the delivery process</b> <ul style="list-style-type: none"><li>▪ <i>Tender assessments</i></li><li>▪ <i>Change requests</i></li><li>▪ <i>Capitalisation of final costs</i></li></ul>	Reducing the number of change requests and more. Alignment with the investment cycle process – handing over our assets.



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# Looking Ahead



# Our Approach

- Develop & implement a standard Schedule of Prices – Trade based (TPF)
- Updated at;
  - Tender
  - Contract Award
  - Final Account
- Split By
  - Building
  - Building Function
  - Project Scope
  - Trade Element

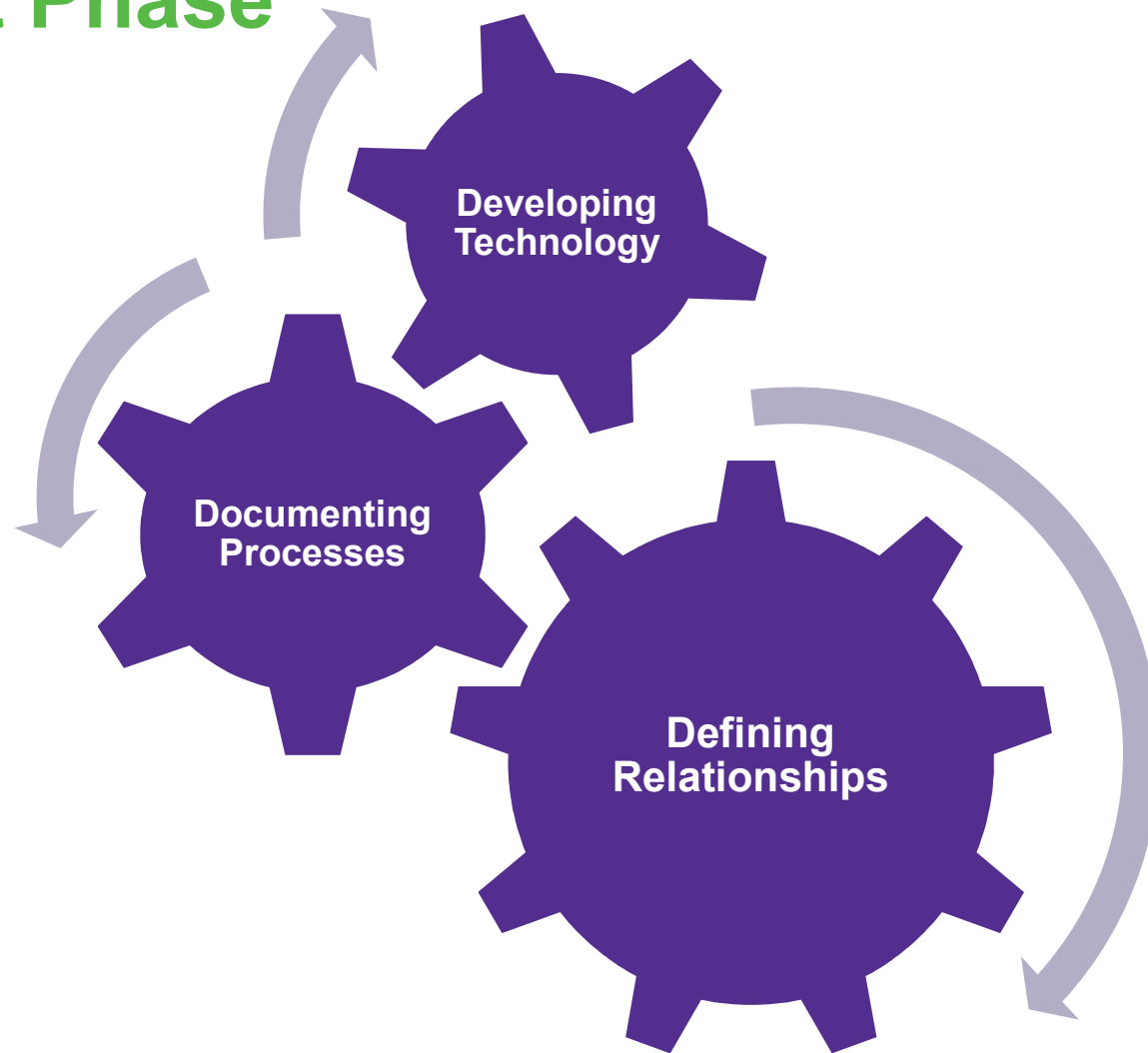


More than  
**15,000**  
school buildings

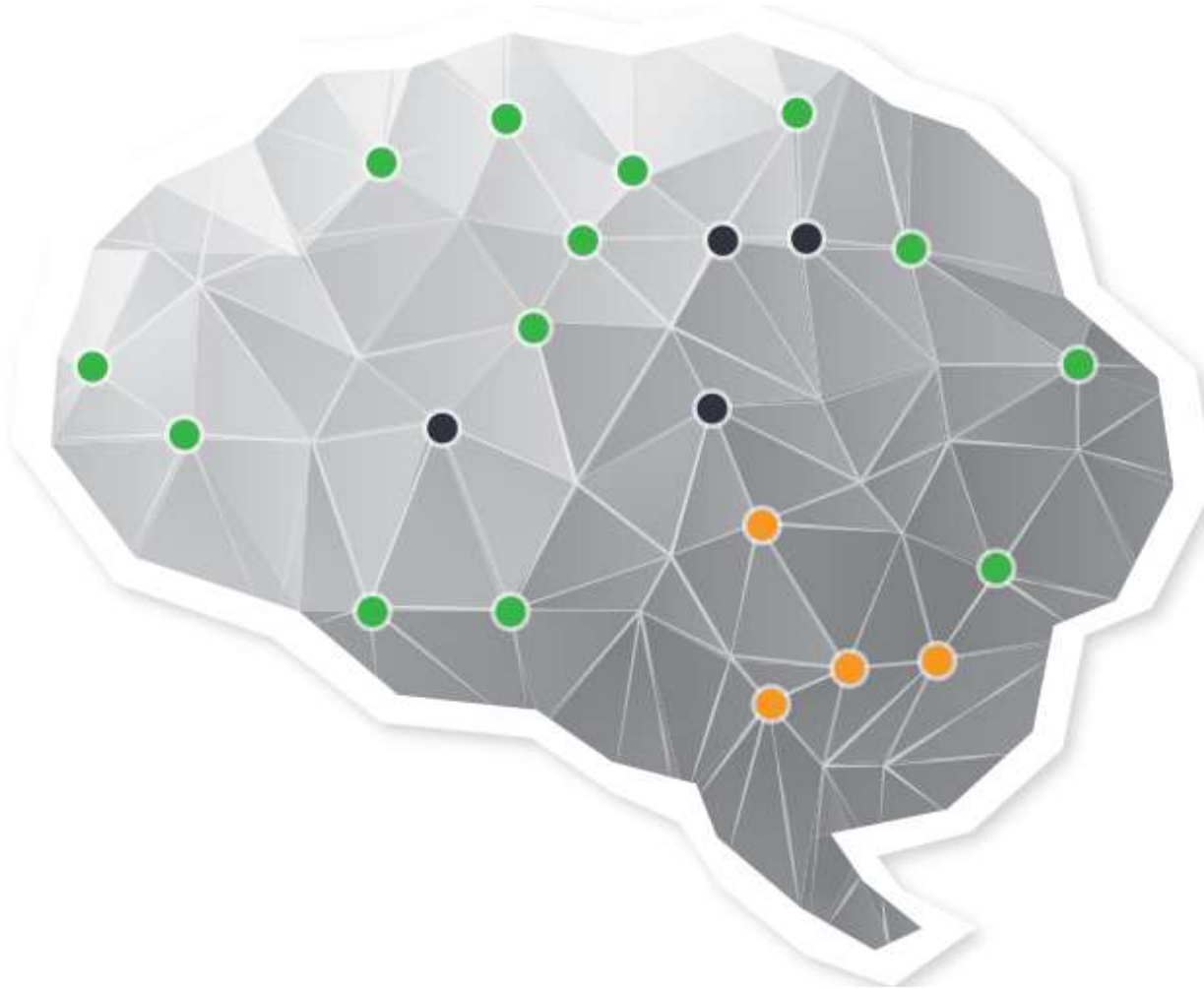
More than  
**8,000**  
hectares of land

More than  
**35,500**  
teaching spaces

# Development Phase

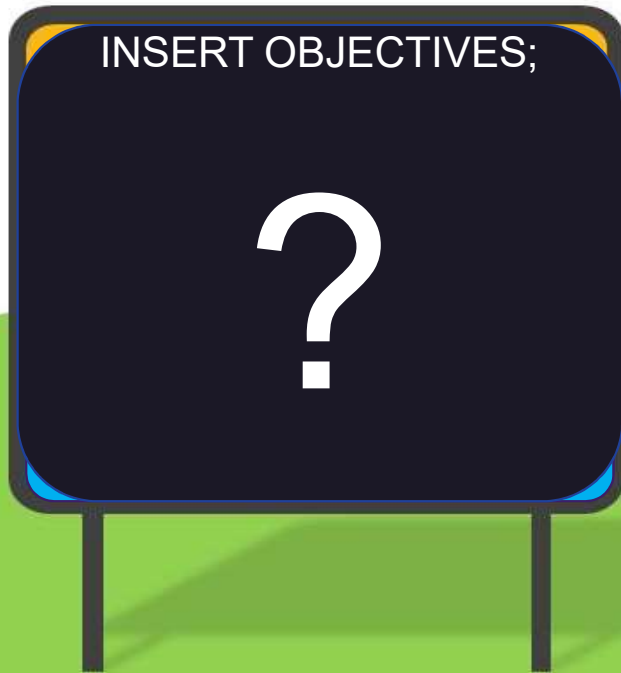


# Further Research – The Education Brain



# Long Term Roadmap

May 2020 +



Goals:  
Procurement efficiency  
Sustainable construction  
Data intelligence  
Reduced Risk  
BIM uptake



We **shape** an **education** system that delivers  
**equitable** and **excellent outcomes**

He mea **tārai** e mātou te **mātauranga**  
kia **rangatira** ai, kia **mana taurite** ai ōna **huanga**



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