

**INQUIRY INTO ENROLMENT CAPACITY IN INNER CITY  
PUBLIC PRIMARY SCHOOLS**

**Name:** NSW Department of Education

**Date received:** 27 September 2016

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Partially  
Confidential

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Our Ref: 2014/419761  
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Mr Anthony Perrau  
Executive Director, Asset Management  
NSW Department of Education & Communities  
Asset Management Directorate  
Level 4, 35 Bridge Street  
Sydney NSW 2000

Dear Mr Perrau,

**Commercial in confidence  
New School in Ultimo**

In relation to the Department's planned purchase of the City's Fig & Wattle for the development of a new school in Ultimo, I refer to your letter of 27 August acknowledging our shared concerns over the cost differential in remediation costs, and your support for the City's proposed process to agree scope and remediation cost for this site.

On 29 August the City hosted a meeting with a principle of the Department, including our respective environmental experts Douglas Partners (DP) and JBS&G Environmental, and respective quantity surveyors Department of Public Works (DPW) and Altus Page Kirkland.

The City presented a detailed scope of the work, quantities and unit rates prepared by JBS&G and Altus Page Kirkland to establish our estimated costs to remediate the site to meet EPA Guidelines, for an education facility (\$5.35M) or for a residential / commercial development (\$4.45M) reflecting the site's highest and best use.

The Department presented an Executive Summary update of the July 2014 Douglas Partners report, including a detailed schedule of works and cost breakdown for its previously stated estimate of \$23.27M (since revised to \$22.54M). This estimate reflects the option to completely remove all contamination from the site for the proposed school.

The parties then embarked on a 10 day process to agree a remediation strategy and scope of work, together with quantities for either an education facility and/or a residential / commercial development to meet EPA guidelines. This would enable a side by side comparison with the Department's scope and costs highlighting the key points of difference.

The environmental engineers subsequently developed a draft remediation strategy for each proposed use and documented the Department's favoured remediation strategy for the proposed school. This draft document was accompanied by a detailed schedule of quantities and unit rates combining the work completed by Altus Page Kirkland and the Department of Public Works. The package of work was subsequently issued by the Government Architects Office to the Department for review, ahead of a second meeting planned for 11 September.

On 9 September, Tony McCabe the Department's Director Capital Works, emailed the City to advise the Department had reconsidered the agreed process and wished to propose an alternate approach. The Department sought the City's acceptance of the costing for the

*city of villages*

remediation strategy, now assessed by Department of Public Works at \$22.54M, despite the fact that the City does not agree with the Department's preferred remediation strategy.

The City has now completed a review of its initial remediation strategy and cost assessment for either a residential/commercial use and/or an education use that will meet EPA guidelines. The City's environmental expert, JBS&G and quantity surveyor, Altus Page Kirkland conclude that the scope and remediation cost for these proposed uses are substantially similar.

A direct comparison of the two remediation cost estimates identified specific works within DPW's specification that both parties acknowledge are not required to obtain a Site Audit Statement for an education use that meets EPA guidelines, but which are considered essential for the Department to implement its preferred remediation strategy.

The City and its consultants have undertaken a detailed review of the remediation strategies, their scope and costs. The City has thereby determined a remediation cost of \$9.5M, which could be agreed, while acknowledging that this estimate is based on a scope of work that exceeds the EPA guidelines for either a residential / commercial development and/or an education facility.

In Monica Barone's letter of 13 August she reiterated that it would not be a responsible use of ratepayers' funds, and therefore permissible, for the City to provide financial assistance to the NSW Government for the establishment of schools by discounting the fair market value of the site. It therefore follows that the City could not consider any additional scope of work beyond that captured within the assessed remediation cost of \$9.5M.

On 6 August the Department emailed a firm and final offer of \$100M less remediation cost of \$25M, less a further \$8M (all prices ex GST) for construction of a City childcare centre, with the balance payable in two equal instalments in 2014/15 and 2015/16.

The City is therefore prepared to agree to a price of \$100M less remediation cost of \$9.5M and less the estimated cost to deliver the proposed childcare of \$8M for a net amount of \$82.5M (ex GST) subject to the following terms of payment, contract and Council endorsement.

The City will agree to payments of equal instalments over two years on the basis of:

- the first instalment paid at settlement inclusive of a 10% deposit on exchange of contracts
- settlement to occur 3 months following exchange and prior to 30 June 2015
- the \$8M budget estimate for construction of the 80 place childcare to be transferred by the Department to a Trust account from which payments against certified completed works will be made to the Department.
- the second instalment amount paid (as an adjustment) prior to 30 June 2016 and escalated monthly from exchange
- the unencumbered stratum containing the built childcare to be transferred at no cost to Council

I look forward to your in principle acceptance, which would enable the City to seek Council endorsement of the sale to the Department, at its 3 November Council meeting.

Yours sincerely

A/Chief Executive Officer