

**Submission
No 67
Item C, Tab
26**

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

Name: NSW Department of Education
Date received: 27 September 2016

Partially
Confidential

FILE NOTE

ISSUE: Ultimo / Pymont School.

CASE #: DGS 15/917.

DATE: 25 MAY 2015

ACTIONED BY:

Can the Department please liaise with the CEO regarding the communication of this decision BEFORE any action is taken.

Sooner rather than later.

Thanks

- we will need:
 - Timetable of communication = who to.
 - Key messages to our website.
 - Home Folder Note.
 - Letter advising MP.

Ultimo/Pymont Public School – recommendation not to acquire the Wattle, Jones & Fig Street site due to higher than anticipated decontamination costs

The construction of the Ultimo/Pymont Public School on the City of Sydney Council site on the corner of Wattle, Jones & Fig Street, Ultimo is no longer viable at the agreed price due to greater than anticipated site contamination and associated remediation costs. It is recommended that the acquisition not proceed. Legal advice supports this action.

Key Information

In 2013 the Inner City Schools Working Party recommended that Ultimo Public School be relocated to the Wattle, Jones & Fig Street site as a new Ultimo/Pymont Public School, to cater for increasing student enrolments. The Wattle, Jones & Fig Street site was known to be contaminated and the Government Architects Office (GAO) estimated full remediation costs at \$23.27 million (TAB A). The site was valued, in a decontaminated state, at \$100 million. Council was only willing to offer a \$5 million discount for contamination; the Department sought a \$25 million discount. A sale price of \$74 million was eventually agreed, which represented a \$19 million discount for contamination and an \$8 million discount for the provision of a childcare centre; a long contested need identified by the local community.

A recent report (TAB B) by the project management and design consultant team estimates significantly higher remediation costs as detailed below:

1. Option 1 – Partial Remediation - \$31.3 million
2. Option 2 – Full Remediation - \$53.9 million

Full details of each Option are contained in the Rationale. Note that a 3rd Option was rejected based on the significant ongoing monitoring, maintenance, site restrictions and reporting, and the unacceptable risk that the contamination could find its way to the surface or onto surrounding sites.

The total cost of the new Ultimo/Pymont Public School, based on the current best professional advice to hand regarding contamination levels, is estimated at \$155.3 million for Option 1 and \$177.9 million for Option 2 as detailed below:

- Site acquisition - \$74 million
- Construction of childcare centre as agreed with Council - \$8 million
- Construction of school - \$42 million
- Remediation costs - \$31.3 million for Option 1 or \$53.9 million for Option 2

These costs would be reduced by approximately [redacted] through sale of the existing Ultimo Public School site.

Given the cost risk associated with constructing the new Ultimo/Pymont Public School on the Wattle, Jones & Fig Street site the Department recommends that the acquisition not proceed (refer legal advice TAB C). The Department will now focus on redeveloping the existing Ultimo Public School, and surrounding public schools, to ensure the forecast demand for public school places, now and in the future, can be met.

Financial Implications

1. New high rise school on Wattle, Jones & Fig Street site: Option 1 - \$155.3 million plus recurrent costs for ongoing monitoring and site management; Option 2 - \$177.9 million
2. Redevelopment of the existing Ultimo Public School, and [redacted] surrounding schools (yet to be identified) – [redacted]

Recommendation

That the Department not proceed with acquisition of the City of Sydney Wattle, Jones & Fig Street, Ultimo site and pursue the redevelopment of the existing Ultimo Public School, and [redacted] surrounding schools, yet to be determined.

Endorsed
 Anthony Perraú, Executive Director, Asset Management, [redacted] 20/5/15

Approved
 Peter Riordan, Deputy Secretary, Corporate Services, [redacted] 22/5/15

SECRETARY
 24/5/15

MINISTER Piccoli
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Ultimo Public School – remediation costs of Wattle/Fig Street site

Rationale

A recent report (**TAB B**) by the project management and design consultant team estimates significantly higher remediation costs than previously advised as detailed below:

1. Option 1 – Partial Remediation - \$31.3 million to partially remediate the site by constructing a shoring wall to restrict the flow of contaminated groundwater; removing contaminated soil up to a depth of 3 metres; placing clean fill over the remaining contaminated soil and capping the site. This option has significant recurrent costs as it will require ongoing monitoring of contaminated groundwater and management of the site to safeguard the health and wellbeing of staff, students and visitors to the site.
2. Option 2 - \$53.9 million to fully remediate the site by completely removing all contaminated soil to bedrock, removing contaminated groundwater and disposing of both offsite, followed by clean filling the site. This option would ensure a clean site with no ongoing costs for monitoring or site management.

Note that a 3rd Option was put forward, at an estimated cost of \$11.5 million, that required no excavation of contaminated soil, with a cap put over the site at current ground level. This option was rejected based on the significant on going monitoring, maintenance, site restrictions and reporting, and the unacceptable risk that the contamination could find its way to the surface or onto surrounding sites.

The Department's recommendation for not proceeding with the provision of a new school on the Wattle, Jones & Fig Street site is based on the following reasons:

1. Community concerns for the health and wellbeing of staff, students and visitors to the site

The site has serious soil and groundwater contamination. Remediation by removal and offsite disposal of contaminated soil and groundwater is the most effective way of guaranteeing the health and wellbeing of staff, students and visitors for the life of the school and beyond. The full site remediation cost is currently estimated at \$53.9 million, but could be higher, as the estimate is based on preliminary investigations only.

The Department's brownfield development experience suggests that the final remediation costs rarely, if ever, come in on or under the estimate of cost. The Department has also had mixed success when opting for site capping only, even with Environment Protection Authority certification. School communities are generally nervous about the site capping methodology for remediating contaminated sites and the ongoing maintenance and reporting costs have been found to be significant.

There is also the potential for reputational damage to the Department, as capped or partially remediated sites must remain on the contaminated site register, which is a public record.

2. Not viable financially

The potential final development cost of the new school on the Wattle, Jones & Fig Street site is more than three times that of any other primary school in NSW. Recent projects that are similar in nature include:

- a. Victoria Avenue Public School in Canada Bay - the site was remediated by removal and offsite disposal of all contaminated soil and a new school (28 permanent classrooms) constructed on the remediated site at a total estimated cost of \$34.7 million. The site was provided to the Department at no cost by Canada Bay Council in return for full decontamination and community facilities, including a child care centre, being constructed on the site by the Department.

- b. Anzac Memorial Public School – the Department has leased the site from North Sydney Council for 99 years at a cost of \$19.5 million. It is estimated that construction of a primary school for 1,000 students will cost \$25 million.

While negotiations with Council for the purchase of the Wattle, Jones and Fig Street site are well advanced, with exchange of Contracts for Sale expected at the end of June 2015, the Department's

Schedule 1, Clause 5

Risk and risk management

There is a very high risk of community dissatisfaction with this decision, which is likely to lead to a concerted campaign to proceed with the purchase of the Wattle, Jones & Fig Street site.

There is also a very high risk of a City of Sydney Council campaign seeking to hold the Department responsible for a less than satisfactory community outcome and a loss to rate payers. This should be viewed in the light of the fact that Council have been less than transparent with the Department in all matters associated with the sale of the Wattle, Jones & Fig Street site. The Department's lawyers are of the opinion that Council's unwillingness to allow access to the Department for more detailed site investigations is a continuance of this behaviour.

The Department proposes to mitigate these risks by quickly moving to prepare concept design options for redeveloping the existing Ultimo Public School site, and ^{Item 4(f) & 5(e)} surrounding school sites, as a means of moving the process on and demonstrating a renewed commitment to investing significantly in public education in the Ultimo/Pymont area through the provision of greatly improved, future focused teaching and learning space to meet forecast enrolment demand.

With respect to a possible campaign by Council the Department recommends any response focuses on the very high levels of contamination; how the extent of the required decontamination works is now so high as to make the development of a school on the site, to a safety level appropriate for a school and the wider community, unviable. The estimated total cost of the school could exceed \$170 million, which is the cost of providing three schools in greater western Sydney, including land cost.

If Council takes the line that the Department is exaggerating the safety concern and therefore the decontamination costs then Council should be encouraged to construct the large (Council have advised that they have demand for up to 160 places and rising), much needed childcare centre on the site with the reduced level of decontamination advocated.

Context

Ultimo Public School is on a 0.54 hectare site. In 2015 the school has 311 student enrolments which are projected to rise to 352 enrolments by 2020. The school currently has 14 permanent and one demountable classroom on site.

The Wattle, Jones & Fig Street site is 1.2 hectares in size. The proposal is to build a new 40 classroom primary school on the site and sell the existing school site to part fund the new school.

In February 2014, the existing Ultimo Public School site was valued at ^{Item 1(f) & 4(a), (c), (d) & 5(e)}

Previous investigations into rebuilding Ultimo Public School on the existing site also recommended that Glebe Public School be expanded at the same time from 13 to 23 permanent classrooms to allow for student enrolments to be better managed across the two schools.

The estimated cost of redeveloping the existing Ultimo Public School site, and ^{Item 4(f)} surrounding public schools, to accommodate future enrolment growth is ^{Item 1(f) & 4(a), (c), (d) & 5(e)}. Estimates show that this work will provide an additional 30-40 classrooms, which will accommodate up to 1,000 ^{4(a), (c), (d) & 5(e)} students.

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| Media release/ Communication Strategy | <input type="checkbox"/> Not required <input type="checkbox"/> Media Unit briefing attached <input checked="" type="checkbox"/> This briefing sent to <u>Media Unit</u> <input type="checkbox"/> Communication Strategy attached |