



Sensitive Cabinet

Briefing for Minister for Skills, Training and Apprenticeship / No  
MIN20/726

Document tendered by  
Hon Courtney Hoopes  
Received by  
Sarah Dunn  
Date: 28/10/21

## Divestment Program FY 2020-2021 and FY 2021-2022

**Topic** TAFE NSW is seeking approval for nine divestments in FY2020-2021 and approval to commence planning for ten divestments in FY2020-2022.

**Analysis** TAFE NSW is required to divest surplus land and property to meet its 2019/20 and 2020/21 Whole of Government targets set by the NSW Government.

TAFE NSW completed a review of all sites across NSW during the 20 Year Infrastructure Strategy analysis and recommends ten sites (whole or partial) for divestment in FY2020/2021 and ten sites (whole or partial) in FY2021/2022.

TAFE NSW considers the sites are surplus to requirements.

On 6 August 2020, the Minister approved the divestment of TAFE NSW Score for FY2021 (MIN20/748).

Ministerial approval is required for the proposed divestment of the balance of nine sites in FY2020/2021 (Tranche One); and commencement of the divestment planning process of ten sites for completion in 2021/2022 (Tranche Two).

Subject to the Minister's direction TAFE NSW will seek confirmation the sites are not required for another Government purpose; and if not, dispose of the sites on the open market or in accordance with the Community Use Policy.

**Approval by** N/A

### Recommendations

That the Minister, in the capacity as Minister for Skills and Tertiary Education:

1. **Approve** Tranche One divestment sites at Grenfell, Mudgee, Goulburn, Dapto, Kogarah, Seaforth, Dubbo, Quirindi, Singleton are surplus to requirements (TABs A and C);
2. **Approve** Tranche Two divestment sites at Bourke, Chullora, Corowa, Deniliquin, Narrandera, Lidcombe, Queanbeyan, West Wyalong, Murwillumbah and Hornsby (East) are surplus to requirements (TABs B and C);
3. **Approve** immediate divestment of Tranche One sites in FY2021;
4. **Approve** commencement of the divestment planning process for the Tranche Two sites; and
5. **Note** that divestments are subject to the NSW Government's Strategic Land and Property Framework; and site specific Ministerial approval once a purchaser is identified.

Minister's approval

Not approved

Date

Checked by DLO		Approved/noted by adviser/Chief of Staff	
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Contact:

Title: General Manager TAFE  
Infrastructure NSW

Date: 4/09/20

Page 1

Sensitive

## Key issues

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### NSW Government's \$3 billion land and property sales target

The NSW government has introduced a \$3 billion, whole of government (WoG) surplus land and property sales target over the four years to June 2023 (the Target) to help manage fiscal headroom and fund infrastructure.

TAFE NSW has been advised by the Department of Education that the Education Cluster will contribute \$90 million towards the Target. The current apportionment to TAFE NSW is:

- \$1.31 million FY2020
- \$2.40 million FY2021

TAFE NSW understands that the Cluster's contribution to the Target is over and above divestments planned for asset recycling or other Budget measures. TAFE NSW is required to meet this contribution commitment.

Through the development of the 20 Year Infrastructure Strategy (20YIS), TAFE NSW identified a profile of divestments for the Minister's consideration (TABs A, B and C).

- **Tranche One (FY2021) ten sites (TABs A and C):**
  - Current Net Book Value o (excl. GST)
  - 20YIS estimated Gross Sale Proceeds o . GST).

On 6 August 2020, the Minister approved the divestment of TAFE NSW Score for FY2021 (MIN20/748), leaving the remaining nine sites to be approved.

- **Tranche Two (FY2022) ten sites (TABs B and C):**
  - Current Net Book Value of (exc. GST)
  - 20YIS estimated Gross Sale Proceeds of (excl. GST).

The initial call on proceeds will be for TAFE NSW to meet its required apportionment. The balance of proceeds will be a critical contribution to funding capital works in the TAFE NSW Investment Program.

### Sites deemed appropriate for divestment

During the 20YIS preparation, TAFE NSW undertook a strategic assessment of campuses in both Sydney metropolitan and regional locations across NSW for divestment recommendations. The assessment focused on sites which:

- are no longer used;
- have historically low enrolments;
- are forecast to have declining enrolments;
- have surplus land, and/or
- are located within close proximity to other campuses and therefore could be consolidated onto a single campus.

In Tranche One divestment recommendations for FY2021 (TAB A), all sites (excluding Singleton and Scone), being Grenfell, Mudgee, Goulburn, Dapto, Kogarah, Dubbo, Quirindi, and Seaforth sites are currently:

- not occupied by TAFE NSW – 'mothballed'; and or
- leased/licensed to a third party; and

Contact:

Title: General Manager TAFE  
Infrastructure NSW

Date: 4/09/20

Page 2



## Sensitive

Briefing for Minister Lee: for approval

MIN20/726

- o have no impact to service delivery, staff or students.

Part of the Singleton campus is recommended for divestment as service delivery is not affected as training has been consolidated on the part of the site to be retained, so that the balance of the site may be divested to Department of Education.

The Scone campus was approved by the Minister for divestment in FY2021 (MIN20/748) on 6 August 2020.

### **Additional divestments are required**

TAFE NSW has two sites proposed for divestment as carried over from FY2020 and reported in the Q2 FY2020 Investment and Divestment Report (MIN20/82):

- St George campus – minor partial divestment to TfNSW for M6 road widening in progress (compulsory acquisition)
- Castle Hill campus – proposed partial divestment to Create NSW for the Museum Discovery Centre (MDC) expansion, waiting on approval of the rezoning of land. In April 2018, Adam Marshall MP in his capacity as Minister for Skills, supported in principle the partial divestment for the expansion of the MDC (MIN18/1014). Subsequently, on 8 August 2019 ERC approved the finalisation of arrangements to transfer the subject land (SC0103-2019)

### **Additional sites TAFE NSW will vacate**

TAFE NSW will exit three leased sites over the same timeframe as Tranche One and Two at Port Macquarie, Maclean and Dapto, as the presence in that location is not required or desirable. Further details are included in **TABs A and C**.

### **TAFE NSW 20 Year Infrastructure Strategy considers asset recycling**

The TAFE NSW 20 Year Infrastructure Strategy (Strategy) is currently in its finalisation stage, and will be submitted for endorsement by DaPCo towards the end of 2020. The Strategy identifies the fiscal contribution that asset recycling will make to the State Budget.

This round of proposed divestments represents Tranches One and Two of a comprehensive program that will be recommended following ERC approval of the Strategy.

Divestments proposed for Tranche One can be considered by the Minister, ahead of final approval of the Strategy, as all proposed divestments do not compromise service delivery outcomes. Scone is the only Site where, albeit limited, service delivery and current enrolments exist.

Divestment planning for Tranche Two is required to commence in FY2021 for realisation of sale proceeds in FY2022.

### **Strategic Land and Property Framework**

TAFE NSW is required to comply with the Strategic Land and Property Framework approved by Cabinet in November 2019 (C2019-0148) (MIN19/1093). The critical approval gates that will apply to Tranches One and Two (and any systemic program of) divestments are:

1. Ministerial endorsement to proceed
2. Listing through the Government Property Exchange for election by other Agencies or purpose of the Government
3. Consideration by the Property Board of Secretaries
4. Consideration by Cabinet Committee on Expenditure Review (ERC) – at special purpose quarterly meetings

Contact:

Title: General Manager TAFE  
Infrastructure NSW

Date: 4/09/20

Page 3

**Sensitive**

## Sensitive

Briefing for Minister Lee: for approval

MIN20/726

It is at the discretion of the ERC to approve 'cash compensation' to TAFE NSW for transfers of surplus land to another Agency or for a Government purpose (MIN19/1093). It is TAFE NSW's intention, in its submissions in relation to these Tranches of divestments, to seek cash compensation for the purpose of financing its capital works.

### Further analysis

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TAFE NSW will submit the sites through the Government Property Exchange portal (GPX) administered by NSW Housing & Property Group. The GPX provides the opportunity for other Government Agencies to register their interest in the sites prior to being offered to the open market e.g. NSW Police Force's interest in Dapto.

### Financial impact

It is assumed that TAFE NSW will be cash compensated from these divestments, to reinvest in its Investment program. ERC approval will be required at each Tranche to confirm this assumption.

The expected sales results from the individual divestments (**TAB A**) are based on the estimated market values (20YIS Gross Sales Proceeds) contained in the TAFE NSW 20YIS.

As at 31 July 2020 the total Net Book Value of Tranche One is \_\_\_\_\_ (excl. GST).  
20YIS Gross Sale Proceeds of \_\_\_\_\_ excl. GST) were estimated at December 2019.

To inform recommendations to the Minister for each divestment, TAFE NSW will obtain independent market valuations closer to sales' commencement for benchmarking, guidance for negotiations, and updates to the estimate of total Tranche sales proceeds.

### Risks / contentious issues

The proposed divestment time frames are contingent on obtaining timely approvals throughout the process.

For those divestments which represent development opportunities - Dubbo, Scone and Kogarah, there may be 'conditions precedent' mandated by the purchaser regarding settlement e.g. development consent; which may affect the timing of the receipt of proceeds.

Six sites are subject to licenses or leases, some of which are expired. Occupants who perceive a material impact to their continuance on site may frustrate the disposal process.  
(**TAB A**)

### Consultation and communication strategy

TAFE NSW will prepare site specific divestment communication plans and holding statements in consultation with the relevant TAFE NSW Region prior to any specific divestment.

There are no significant staff related implications by the proposed divestments.

### Attachments

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Tab	Title
A	TAFE NSW Divestments Tranche One FY2021
B	TAFE NSW Divestments Tranche Two FY2022
C	TAFE NSW Fact Sheets for Tranche One FY2021; and Tranche Two FY2022

Contact:

Title: General Manager TAFE  
Infrastructure NSW

Date: 4/09/20

Page 4

Sensitive

**Sensitive**

Briefing for Minister Lee: for approval

MIN20/726

**Approval**

Approvals	Signature/Electronic approval	Date
Key Contact: General Manager TAFE Infrastructure NSW		
Endorser:  A/Chief Corporate Services Officer TAFE NSW		
Approver: Managing Director, TAFE NSW,		

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Date: 4/09/20

Page 5

**Sensitive**