

# Final Business Case Evaluation Summary

## Meadowbank Education and Employment Precinct – TAFE NSW Meadowbank Phase 2



March 2022

## About this report

The purpose of this document is to summarise the final business case for the TAFE NSW investment at the Meadowbank Education and Employment Precinct (the project). The project has been initiated in order to provide a unique opportunity to create a flagship model for students to experience seamless pathways between school, vocational education and training, higher education and jobs. The final business case aimed to establish the investment required in TAFE NSW Meadowbank to deliver the Government's vision for the Meadowbank Education and Employment Precinct.

TAFE NSW Meadowbank was heavily constrained and was unable to meet growing demand for enrolments without further investment.

The 3 primary drivers of the case for change at TAFE NSW Meadowbank are the inability to meet the enrolment demand in skills with high growth forecasts; the opportunity for TAFE NSW to deliver quality External delivery of Vocational Education and Training (EVET) on site for the local schools catchment, and to leverage partnerships with the private and university sectors to drive the demand for a 'digitally (technology) focused' TAFE NSW Meadowbank.

Strong growth in jobs forecast in both the infrastructure, energy and construction and the digital technologies sectors is driving high demand for associated courses. With the capacity constraints of the current TAFE NSW Meadowbank site, the only way to meet this increased demand is to invest in new infrastructure.

The business case was prepared by TAFE NSW and submitted to Government in Quarter 4, 2018 for project approval and subsequently in Quarter 4, 2019 for funding release. This business case summary has been prepared by Infrastructure NSW, the Government's independent infrastructure advisory agency.

## Strategic context

### Achieving the full potential of the Meadowbank Education and Employment Precinct

On 26 June 2018 the NSW Government announced it would create a precinct by the co-location of TAFE NSW Meadowbank with the relocated Meadowbank Public and Marsden high schools.

The Meadowbank Phase 1 Solution enabled TAFE NSW to divest and vacate the northern part of the Meadowbank campus for the Department of Education in late 2018. The Meadowbank Phase 2.1 Solution aims to support the enrolment projection and long-term campus vision (*Building a TAFE NSW for the Future*, 2016).

TAFE has recognised that ‘place making’ should influence investment considerations for the precinct and specifically TAFE NSW Meadowbank.

Educational alignment, key infrastructure, precinct accessibility and industry proximity among other factors shape the nature of activity possible from an Education Precinct. Current education and training pathways for students can be disjointed. Bringing together industry and whole-of-lifecycle educational facilities provides a clear pathway for students to enter value-adding careers and more closely aligns skills development with industry requirements, including upskilling and reskilling to align with evolving industries. Further enhancing education and training pathways requires not just physical proximity, but policy and operational alignment between TAFE NSW, NSW Department of Education and industry.

Following from recommendations of the Gate 2: Business Case assurance review, the Department of Premier and Cabinet convened the Meadowbank Senior Executive Governance Group (SEGG), to establish whole of government oversight of the combined \$450 million plus investment in education assets in the Meadowbank Education and Employment Precinct (MEEP).

### Design Principles

During the development of the functional design brief for the built form solution, the following design principles, developed through consultation with staff, were primary considerations:

- *Communicate through architecture* – initiate culture of nurturing continual learning.
- *Navigate by architecture* – a built environment which helps shape attitudes of respect and consideration.
- *Learning and student wellbeing* – a need for a variety of learning styles to appeal to multiple intelligences.
- *Served and servant spaces* – hierarchy of spaces to aid organisation and navigation.
- *Heritage connection* – acknowledgement of social, indigenous, natural and physical heritages.
- *Challenge and risk* – well-designed learning environments to offer safe opportunities for experimentation and challenge.
- *Environmental control and connection* – principles of ecological sustainability in the design of a school for the future.
- *School and community connection* – environments outside of the classroom to provide opportunities for extended learning and to engage with the surrounding communities.

- *Natural connection (landscape)* – outdoor learning environments for students to create opportunities for children to explore and interact with their peers.
- *Ease of adaption* – addresses ability for multi-modal spaces to become efficient and personal environments.
- *Instant connection* – spatial organisation for educational buildings to remain relevant and cater for evolving pedagogy and technology.
- *Layered groupings* – deliberately non-prescriptive environments presenting students opportunities to personalise the learning space.
- *Sharing spaces* – discussion between students is central to building beneficial relationships between students.

## Project need

### Inability to meet enrolment demand in high growth skills areas

The TAFE NSW Sydney region is broadly at physical capacity. This made Meadowbank the ideal location to increase TAFE NSW’s metropolitan capacity, especially where specialist infrastructure (e.g. trades and digital technology) is required due to Meadowbank’s central location and superior transport links. The project will have the potential for up to 3044 additional annual enrolments by 2032 (22%).

The Meadowbank Education and Employment Precinct offers the opportunity to improve this pipeline of opportunity through improved educational alignment with industry needs for skill development and trade requirements including both upskilling and reskilling workers for evolving high-technology industries.

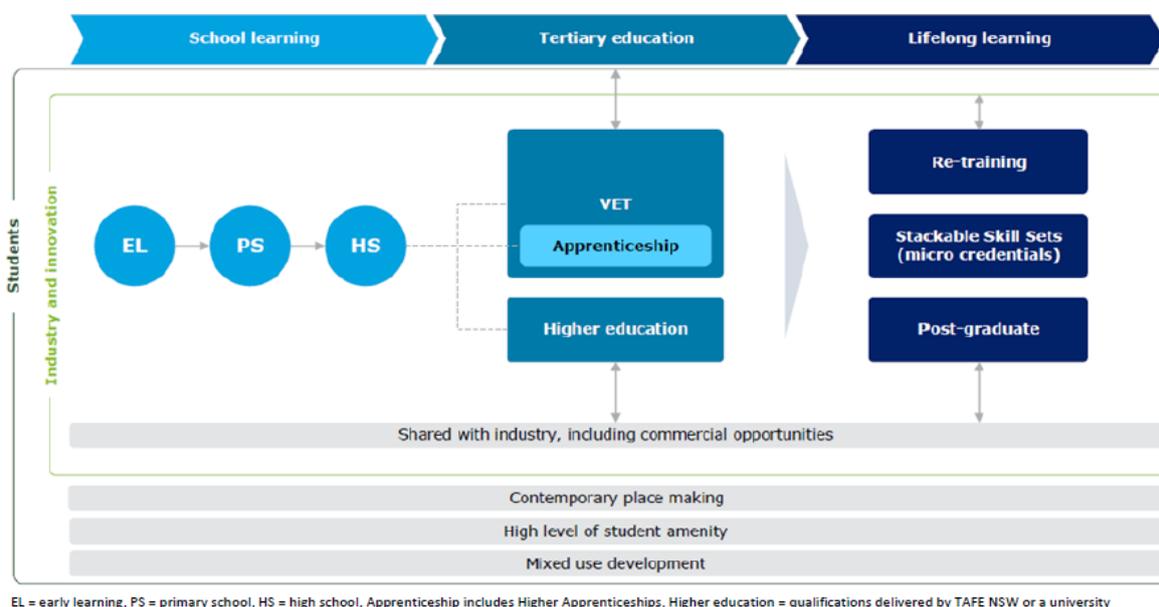
### Step change in relation to EVET

TAFE NSW at Meadowbank is an opportunity to innovate, pilot and refine an Education Precinct Model (Figure 1) between TAFE NSW and the Department of Education.

This includes avoiding the duplication of Externally delivered Vocational Education and Training (EVET) between TAFE NSW and high school infrastructure.

Educational and employment pathways can be efficiently and effectively integrated into the school curriculum, including promotion and showcasing careers and opportunities that require skills most relevant to the NSW economy.

**Figure 1 – TAFE NSW Education Precinct Model**



EL = early learning, PS = primary school, HS = high school, Apprenticeship includes Higher Apprenticeships, Higher education = qualifications delivered by TAFE NSW or a university

### Opportunity to leverage relationships with the private sector and a university to drive digital technology education

Creating a ‘digital (technology) focus’ for TAFE NSW Meadowbank will lead to better integration of industry and education providers at all levels. Building partnerships for skills solutions in building, construction, IT, manufacturing services would create unique pathways for school students to transition to sustainable job opportunities from links with industry and education delivery.

Through developing partnerships, students can gain practical experience of teams which mirror workplace roles and the skills required to navigate interrelationships in the workplace.

## Options identification and assessment

The following options were considered in the strategic business case:

- Base case – Do nothing.
- Option 1 – Repurpose existing buildings progressively without increasing available space and enrolment capacity.
- Option 2 – Reconfigure TAFE NSW Meadowbank service delivery. Relocate teaching areas to other TAFE NSW locations.
- Option 3 – Construct all new buildings to house larger facilities to cater for increased demand for TAFE NSW courses.
- Option 4 – Hybrid: construct new buildings as well as repurpose existing buildings on a staged basis to accommodate increase demand for TAFE NSW courses and EVET course requirements.

A qualitative assessment was undertaken on each of the options, as per Table 1 below:

**Table 1: Qualitative Analysis of options identified**

Option	Analysis
<p><b>Base Case – Do Nothing</b></p>	<p>Does not address the need for further investment through:</p> <ul style="list-style-type: none"> <li>• limited physical capacity to address forecasted enrolment demand – directly impacting revenue</li> <li>• constrained and outdated learning environments</li> <li>• no capacity to increase on site industry or educational partnerships</li> <li>• duplicated trades infrastructure with adjacent high school.</li> </ul>
<p><b>Option 1 – Repurpose existing buildings progressively without increasing available space and enrolment capacity.</b></p> <p>Includes the progressive repurposing of the existing Construction Trades and Commercial Cookery buildings, without increasing the overall floor area available. Repurposing would be done on an incremental basis and would involve the temporary relocation of courses to other campuses for the duration of the works.</p>	<p>Does not deliver:</p> <ul style="list-style-type: none"> <li>• increased capacity to meet forecasted enrolment numbers</li> <li>• space that is fit for purpose for EVET course delivery</li> <li>• additional space to enable colocation of an industry partner within the precinct.</li> </ul>
<p><b>Option 2 – Reconfigure TAFE Meadowbank service delivery. relocate teaching areas to other TAFE NSW locations.</b></p> <p>Foresees the strategic relocation of faculties between TAFE campuses to rationalise the TAFE portfolio and more efficiently service the increasing demand for enrolments in the Sydney region.</p>	<ul style="list-style-type: none"> <li>• Highly disruptive with multiple moves required across multiple campuses.</li> <li>• Overall, less efficient as it would still require investment at other locations.</li> <li>• Interrupts course and service delivery.</li> </ul>
<p><b>Option 3 – Construct all new buildings to house larger facilities to care for increased demand for TAFE courses.</b></p>	<ul style="list-style-type: none"> <li>• Is the highest cost option.</li> <li>• Has the longest lead time to full operations.</li> </ul>

<p>Includes the construction of new buildings to cater for the increased enrolment demand plus upgraded space to enable TAFE Meadowbank to deliver EVET course requirements.</p>	<ul style="list-style-type: none"> <li>• Is disruptive and would require significant decanting and staging.</li> </ul>
<p><b>Option 4 – Hybrid: construct new buildings as well as repurpose existing buildings on a staged basis to accommodate increase demand for TAFE courses and EVET course requirements.</b></p> <p>Proposes the construction of a new Multi-Trades building and the repurposing of buildings to enable industry colocation and increased teaching space. A new pedestrian spine through the site will be created that will better connect to the Meadowbank railway station and provide connectivity throughout the Meadowbank Education Precinct.</p>	<ul style="list-style-type: none"> <li>• Increases the Net Gross Floor Area (GFA) on TAFE NSW Meadowbank campus by 10,000 sqm allowing for additional enrolment capacity and Industry co-location.</li> <li>• Allows the new Multi-Trade Construction Hub can be constructed in close proximity to the new Meadowbank schools while maintaining operations across the rest of the Campus.</li> <li>• Enables the decanting of Buildings D, E and F from the construction of the Multi-Trade Hub which can then be repurposed into the Digital Technology Hub and new commercial cooking space. The existing commercial cooking space will be repurposed into general teaching space to meet forecast demand.</li> </ul>

Two project options were taken forward for further assessment in the final business case to (1) support student enrolment demand at TAFE NSW Meadowbank; (2) to meet the Government’ intent for the education precinct; and (3) to provide a contemporary and flexible learning environment for growing the skills of current and future students, being:

- **Base Case** – No capital intervention.
- **Project Option 1** – Build of a Combined Multi Trades and Digital Technology Hub, refurbishment of Building F and a pedestrian spine and plaza for the precinct.
- **Project Option 2** – Build of a Combined Multi Trades and Digital Technology Hub, Demolition of Buildings D and E, and pedestrian access from the station to Rhodes St, including Pedestrian access from Meadowbank train station through to Rhodes St, including:
  - o upgrades to the southern plaza
  - o adjustments to the grade change between building D and E
  - o required minor interface works at the boundary between the new school and the TAFE NSW Meadowbank entry at Rhodes Street.

Option	Advantages	Disadvantages
<p>Option 1: Build of a Combined Multi Trades and Digital Technology Hub, refurbishment of Building F and a pedestrian spine and plaza for the Precinct.</p>	<ul style="list-style-type: none"> <li>• Meets the requirements of the Greater Sydney Commission Preliminary Master Plan by construction a pedestrian spine through the campus.</li> <li>• Facilitates planning projections to meet future projected enrolment.</li> <li>• New and upgraded state of the art teaching facilities</li> <li>• Solution supports NSW Government education planning principles and skills growth objectives</li> <li>• Improved performance of TAFE NSW assets and maximise functionality.</li> <li>• Efficiency in training space planning - avoiding duplication of assets with precinct schools meaning no over investment in capital works.</li> <li>• Creates opportunity for industry partner collaboration and employment pathways, as well as more cohesive integration of construction trades and technology.</li> <li>• Option allows for future more functional development works following demolition of building D and E.</li> <li>• Program of works during construction allows for acceleration and opening of the new Multi-Trades and Digital Technology Hub sooner and in conjunction with the adjacent School development.</li> </ul>	<ul style="list-style-type: none"> <li>• Some disruption to teaching activities during construction period.</li> <li>• Highest cost option compared to base case.</li> </ul>

<p>Option 2: Build of a Combined Multi Trades and Digital Technology Hub, Demolition of Buildings D and E, and pedestrian access from the station to Rhodes St, including pedestrian access from Meadowbank train station through to Rhodes St, including upgrades to the Southern Plaza, adjustments to the grade change between building D and E and required minor interface works at the boundary between the new school and the TAFE NSW Meadowbank entry at Rhodes Street.</p>	<ul style="list-style-type: none"> <li>• Facilitates planning projections to meet future projected enrolment.</li> <li>• New and upgraded state of the art teaching facilities</li> <li>• Solution supports NSW Government education planning principles and skills growth objectives.</li> <li>• Improved performance of TAFE NSW assets and maximise functionality.</li> <li>• Efficiency in training space planning - avoiding duplication of assets with precinct schools meaning no over investment in capital works.</li> <li>• Creates opportunity for industry partner collaboration and employment pathways, as well as more cohesive integration of construction trades and technology.</li> <li>• Program of works during construction allows for acceleration and opening of the new Multi-Trade and Digital Technology Hub sooner and in conjunction with the adjacent school development</li> <li>• Lower estimated capital cost.</li> <li>• Option allows for future more functional development works following demolition of building D and E.</li> </ul>	<ul style="list-style-type: none"> <li>• Will not facilitate completion of the full pedestrian spine envisaged by the Greater Sydney Commission prior to the opening of the adjacent high school and primary school, which is required to facilitate school student movement from the station to the schools</li> <li>• Buildings F ground floor will be vacant and not suitable for general teaching following relocation of trade teaching to the new Multi-Trades Hub.</li> </ul>

Option 2 was selected as the preferred option as it meets the primary drivers identified in the case for change at a lower capital cost.

## Economic evaluation

A cost benefit analysis (CBA) of the short-listed options has been conducted in line with NSW Government Guidelines for Economic Appraisal. Costs and benefits were analysed over a 25-year evaluation period and were discounted at 7%. A series of sensitivity tests were conducted, based on enrolment projections, as well as discounts rate of 3% and 10%.

The CBA for Option 2 indicated a benefit cost ratio (BCR) of 1.3. The BCR only falls below 1 in the case of a 30% enrolment decrease or if 50% of the additional TAFE NSW students would obtain an equivalent qualification from other providers.

The project is expected to provide a net community benefit to the NSW society as a whole. The largest contributor to this positive economic result is the productivity uplift to be experienced by the additional students who would only complete a TAFE NSW qualification under the project case.

The sensitivity analysis completed in the economic appraisal highlighted that the above results are sensitive to a number of key assumptions utilised in the calculation of the lifetime earnings benefits, particularly in relation to the uplift in lifetime earnings.

# Deliverability

## Procurement

A procurement strategy was developed with the following key objectives:

- Obtaining value for money for TAFE NSW.
- Maintaining strong oversight of design and stakeholder consultation to realise the benefits of this 'first of its kind' facility.
- Confirming the Contractor's capability to deliver on the program and budget.

A project procurement process was developed in partnership with the Department of Education's School Infrastructure reflecting the above requirements. The TAFE NSW Project procurement was integrated with the procurement of the New Meadowbank Schools Project which was led by School Infrastructure.

An Early Contractor Involvement (ECI) methodology was used to integrate program delivery, test value capture and confirm the price and constructability of the TAFE NSW Project. School Infrastructure was appointed the delivery agency for the TAFE NSW project, as 'best agency for project'. TAFE NSW directly participates in the governance of the overall delivery program, and remains accountable for the investment outcome.

A Gate 3 assurance review was undertaken for the combined delivery program.

## Key risks and mitigation

TAFE NSW's Enterprise Risk Management framework provides the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

TAFE NSW utilises the Australian and New Zealand Risk Management Standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines to manage risks. This is a structured, step-by-step approach that can be applied organisation-wide to support management of strategic risks, delivery risks and operational risks.

Key risks being managed include the delivery model and interface between TAFE NSW and Department of Education, business continuity, latent conditions and statutory approvals.

## The Infrastructure NSW view

Consistent with the NSW Government's Infrastructure Investor Assurance Framework, Infrastructure NSW routinely assesses business cases and provides advice to Government on the efficacy of their findings.

Infrastructure NSW has found that the need for investment is well articulated with a clear and convincing service need and will provide societal benefits as well as facilitating urban renewal across the Precinct.

The final business case indicated a benefit cost ratio (BCR) of 1.3. The largest contributor to the economic benefits is productivity uplift for the NSW economy due to an uplift in student earnings.

Infrastructure NSW has concluded that the project is being effectively developed and delivered in accordance with the Government's strategic vision for the Meadowbank Education and Employment Precinct.