ANALYSIS OF CROSS-SECTOR EDUCATION FACILITIES SHARING OPPORTUNITIES

FINAL REPORT

PREPARED FOR

DEPARTMENT OF STATE DEVELOPMENT, MANUFACTURING, INFRASTRUCTURE & PLANNING
COMMUNITY HUBS & PARTNERSHIPS

FEBRUARY 2018 | FINAL

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EXECUTIVE SUMMARY

Queensland is currently experiencing high growth in the school-age population and this trend is expected to continue[1]. Meeting this growth will require significant investment in education and community infrastructure.

As all levels of government and many private organisations are experiencing fiscal pressure and significant land constraints in many areas, cross-sector partnerships, such as facilities sharing, can assist in responding to this demand.

SCOPE

This report documents the outcomes of a collaborative project to analyse opportunities and options for sharing facilities between State and non-government schools and local councils in Queensland.

Through data analysis and consultation with local government, state government and representatives from State, Catholic and Independent schooling systems, this project has:

- Analysed approaches to school and community infrastructure planning and delivery in Queensland to identify barriers collaborative planning and sharing of facilities.
- Reviewed facility sharing examples to understand what has worked and what hasn't and what were the circumstances surrounding these successes and challenges.
- Undertaken detailed financial analysis on facilities sharing scenarios to assist schools, councils and community groups better understand and assess future shared opportunities.

KEY FINDINGS

This report identifies that facility sharing can provide significant financial and non-financial benefits, to schools and councils, particularly where asset utilisation can be improved or land availability is a significant financial or physical constraint. The identified benefits include:

- Financial benefits, in some cases exceeding 20%, through reduced establishment and ongoing costs
- Improved land use efficiency
- Earlier or improved access to specialist facilities
- Opportunities for broader curriculum offerings
- Increased community engagement.

[1] *Queensland Government Statisticians Office – Projected population (medium series), by five-year age group and sex, SA4, Queensland, 2011 to 2036*

FINANCIAL BENEFITS

For the project, seven potential facilities sharing scenarios were documented and analysed. The scenarios provide an indicative cross section of the range of possibilities, rather than an exclusive list of recommended sharing options.

To demonstrate the potential financial benefits, a ***Net Present Cost (NPC)*** has been calculated for each scenario representing the project and operating expenses over the life of the project.

A **sharing benefit** has also been calculated by comparing the cost of the sharing scenario to the cost of the non-sharing scenario, where each party builds and operates their own dedicated facilities.

As each scenario involves the construction of a built facility, the owner of the land on which the facility resides is considered the **'Host'** and the other party/s the **'Guest'**.

The table below provides a summary of the financial analysis for the seven scenarios and identifies a positive sharing benefit for both the host and guest entities, in each of the seven scenarios, in some cases exceeding 20%.

SCENARIO	HOST	SHARED FACILITY NPC $M	SHARING BENEFIT	GUEST	SHARED FACILITY NPC $M	SHARING BENEFIT %
1 Indoor Sports *Short term sharing between two schools*	School A	2.14	3.8%	School B	2.14	3.8%
2 Indoor Sports *Long term sharing between two schools and a council*	Council	3.37	20.3%	School A / B	1.33	40.0%
3 Sports Fields *Long term sharing between two schools and a council*	Council	3.61	11.7%	School A / B	1.53	25.1%
4 Hospitality *Medium term sharing between two schools*	School A	0.78	15.4%	School B	0.90	1.6%
5 Performing Arts *Long term sharing between two schools and a council*	Council	6.86	27.3%	School A / B	1.77	9.1%
6 Resource Centre *Medium term sharing between a school and a council*	School	3.70	3.6%	Council	5.01	4.6%
7 Enterprise Hub *Long term sharing between a school and a council*	Council	3.91	9.0%	School	3.16	23.1%

SENSITIVITY TESTING

Although the modelled scenarios demonstrate a positive financial result can be achieved for all parties in all scenarios, the financial sharing benefit can be influenced by a wide range of factors, therefore, to help readers understand these factors.

The following sensitivity tests varying project costs, length and usage arrangements have been conducted:

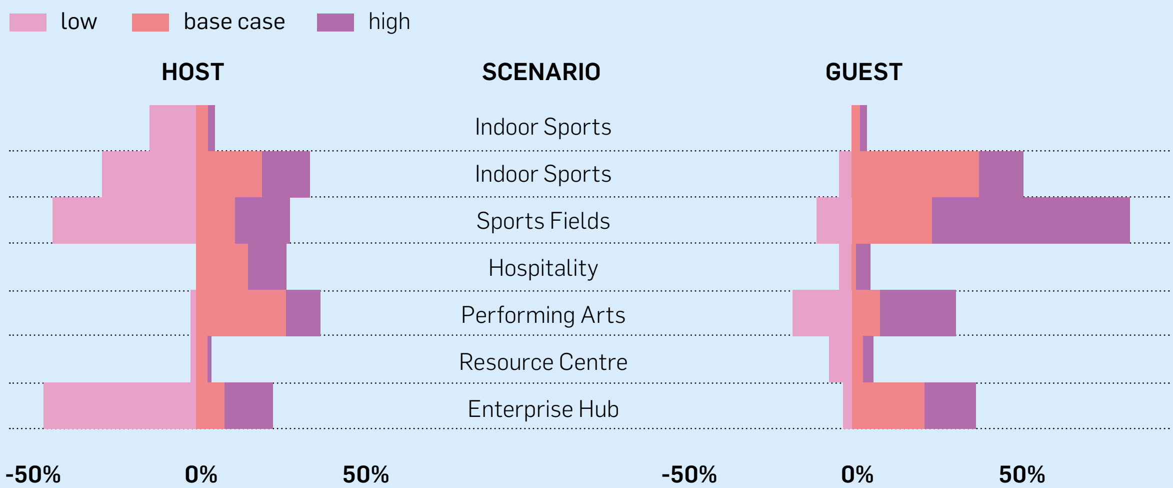
a. Shared facility project costs increase by 20%
b. Shared facility operating costs increase by 20%
c. Parties withdraw from agreement earlier than expected (and build their own facilities)
d. Host use is 20% higher
e. Guest use is 20% higher
f. Scenario 3 only: Changes to land purchasing assumptions. (This assumes the schools have existing land for construction. The sensitivity test assumes the schools must purchase the land to build their own dedicated facility).

The table and graph below demonstrates the range of sensitivity test results realised for both the Host and Guest entity, measured via a change in Sharing Benefit Percentage.

The sensitivity testing clearly indicates the Host entity has a greater downside risk, whereas the Guest entity has a greater upside opportunity. This is largely due to the cost and utilisation risks remaining with the facility owner (host entity).

		HOST			GUEST		
SCENARIO		Low	Shared facility	High	Low	Shared facility	High
1	Indoor Sports	-13.1%[a]	3.8%	5.2%[e]	0.8%[c]	3.8%	5.3%[d]
2	Indoor Sports	-28.5%[c]	20.3%	34.7%[e]	-2.4%[c]	40.0%	53.1%[d]
3	Sports Fields	-44.3%[c]	11.7%	28.2%[e]	-10.1%[c]	25.1%	86.1%[f]
4	Hospitality	2.8%[a]	15.4%	27.1%[e]	-3.1%[e]	1.6%	6.2%[d]
5	Performing Arts	-1.1%[c]	27.3%	37.9%[e]	-16.6%[e]	9.1%	31.6%[d]
6	Resource Centre	-1.3%[a]	3.6%	5.3%[e]	-5.9%[c]	4.6%	6.9%[d]
7	Enterprise Hub	-46.7%[c]	9.0%	23.7%[e]	-1.4%[c]	23.1%	38.5%[d]

Note: a to f represents the relevant test that produced the low/high result



ADDITIONAL BENEFITS

In addition to financial benefits, all scenarios provide educational and/or social benefits. The table below identifies the benefits that could be realised for each scenario.

SCENARIO		BENEFIT Reduce costs	Earlier or improved access facilities	Land use efficiency	Broader curriculum opportunities	Increased community engagement
1	Indoor Sports	✓	✓	✓	✗	✓
2	Indoor Sports	✓	✓	✓	✓	✓
3	Sports Fields	✓	✓	✓	✓	✓
4	Hospitality	✓	✗	✓	✗	✓
5	Performing Arts	✓	✓	✓	✓	✓
6	Resource Centre	✓	✓	✓	✓	✓
7	Enterprise Hub	✓	✓	✓	✓	✓

Note: Scenario 1 and 4 are dedicated school facilities but could be made available to the community out of school hours allowing for increased community engagement

RISKS

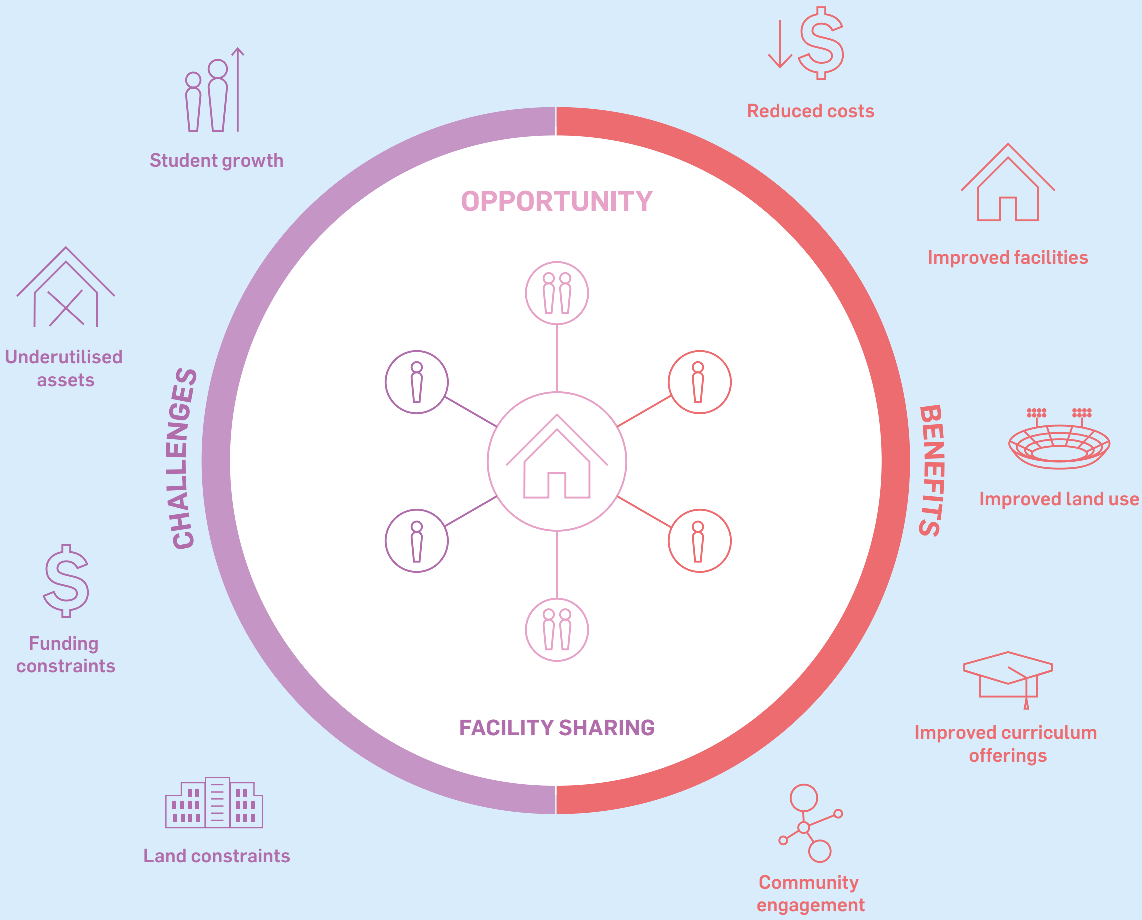
Although project specific risk assessments should be undertaken on all investments.

This report identifies additional facility sharing considerations for projects to be successful such as:

- Suitable site location
- Planned exit provisions
- Documented usage arrangements
- Provision for regular review of the agreement
- Suitable access points for both school and community use

These requirements should be used as part of a prerequisite checklist for sharing projects.

STUDY OVERVIEW



KEY FINDINGS

This report identifies that facility sharing can provide significant financial and non-financial benefits, to schools and councils, particularly where:

Asset utilisation can be improved, either through:

- Outside of school hours usage
- Joint usage of a high cost / low use facilities
- Land availability is a significant financial or physical constraint

The identified benefits include:

- Financial benefits, in some cases exceeding 20%, through reduced establishment and ongoing costs
- Improved land use efficiency
- Earlier or improved access to specialist facilities
- Opportunities for broader curriculum offerings
- Increased community engagement.

However, this report also notes that all sharing arrangements have risks that need to be carefully considered and documented and that these benefits will only be achieved if minimum commercial and practical requirements for sharing arrangements have been met.

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1.0 INTRODUCTION

Queensland is currently experiencing high growth in the school-age population and this trend is expected to continue[1]

For example:

- The Queensland Government Statisticians Office forecast a 31% increase in the number 0–19 year old's between 2016 and 2036.
- The 2017 Queensland State Infrastructure Plan, indicates an additional 60–70 new schools may be required in Queensland over the next 20 years.

Meeting this growth will require significant investment in:

- School infrastructure (State, Catholic and Independent schools)
- Council and community infrastructure.

As the State, local councils and communities are experiencing fiscal pressure and significant land constraints in many areas, cross-sector partnerships and agile and innovative infrastructure solutions, such as facilities sharing, can assist in responding to this demand.

The diagram below summarises the 2017 Queensland school education sector[2].

QLD SCHOOL EDUCATION SECTOR 2017

	STUDENTS	SCHOOLS
STATE	534,000	1,183
CATHOLIC	147,000	313
INDEPENDENT	117,000	194

1 Queensland Government Statisticians Office – Projected population (medium series), by five-year age group and sex, SA4, Queensland, 2011 to 2036

2 Queensland open data – State and non-state school enrolments: https://data.qld.gov.au/dataset/state-school-enrolments/resource/4d68ef26-1a8b-4b1b-87ca-1304d8a8ee7d https://data.qld.gov.au/dataset/non-state-school-enrolment-information/resource/8816b53f-4b58-4a4e-afa5-a57a0b10b5d0

BACKGROUND

In 2014, the Queensland Government established the Community Hubs and Partnerships (CHaPs) group within Department of State Development, Manufacturing, Infrastructure and Planning. The role of CHaPs is to facilitate opportunities for all levels of government, private and community sectors to collaborate and plan infrastructure to support the integration and delivery of services that benefit Queensland communities.

In mid-2017 CHaPs initiated a project, titled ***Identification of options for cross-sector education facilities sharing.*** The purpose of the study is to consider facilities sharing arrangements and opportunities, with a view to identifying the highest potential to provide value in terms of cost, land use efficiency or education and community benefit.

CHaPs is leading the project on behalf of the reference group from the Non-Government Education Sector Partnerships Project (NGESPP) which includes representatives from the Queensland Catholic Education Commission, the Brisbane Catholic Education Office, Independent Schools Queensland, the Department of Education and Training and Queensland Treasury.

This study has involved:

1. Analysing approaches to school and community infrastructure planning and delivery
2. Identification of facility sharing case studies
3. Consultation with local government, state government and education representatives from State, Catholic and Independent schools
4. Documentation and analysis of potential facilities sharing opportunities and scenarios.

2.0 FINDINGS & LESSONS LEARNT

ANALYSIS OF SCHOOL & COMMUNITY INFRASTRUCTURE PLANNING & DELIVERY

The first stage of this project involved comparing the infrastructure planning and delivery approaches of the three education sectors and a sample of councils.

Whilst, the analysis identified many minor variations in the sizing and timing of facilities across the education sectors and councils, there are several key observations worth highlighting:

1. There are no material physical differences in the size or function of school facilities that would preclude sharing arrangements between schools. However, there are operational and commercial matters that need to be well considered to make sharing facilities workable
2. Council decisions to invest in community use facilities (including shared school facilities) are informed by a combination of state and local planning guidelines and local needs
3. There are no policies or guidelines in any of the education or council entities included within the study, which prevent cross-sector education facilities sharing, however there are also no policies or guidelines identified which strongly encourage facilities sharing
4. Councils and private providers could play a larger role in the provision of facilities that could be used for the delivery of both community use and specialist education and teaching services (e.g. sports coaching, music, hospitality, science). Stakeholder interviews identified limited sharing arrangements with local governments and private providers compared to their potential involvement
5. All parties aim to deliver infrastructure when it is optimally required (i.e. not too early / not too late), and therefore the use of facility sharing as a means of balancing timing and utilisation challenges could be considered further.

BENEFITS & BARRIERS

Benefits – Why consider shared assets?

The analysis conducted indicates that sharing education facilities can provide the following benefits:

- Reduce establishment and ongoing costs
- Provide earlier or improved access to specialist facilities
- Improve land use efficiency
- Provide opportunities for broader curriculum offerings
- Increase engagement with the broader community.

Barriers and identified problems

The analysis also identified the following problems and/or barriers to facility sharing:

- Historical experiences of unsuccessful sharing arrangements including:
  - Poorly located facilities within school sites where there is no separate external access
  - Dishonoured agreements where the original usage arrangements are forgotten or disregarded
  - Poorly specified agreements that do not address the required access of both parties
- Reluctance by some potential partners to consider shared opportunities
- Limited guidance to assess sharing opportunities.

MINIMUM COMMERCIAL AND PRACTICAL REQUIREMENTS FOR SHARING ARRANGEMENTS

Stakeholder analysis identified the minimum requirements for sharing arrangements on all sites and the additional specific requirements for sharing arrangements on school sites.

MINIMUM REQUIREMENT	DESCRIPTION
ALL SHARING ARRANGEMENTS	
Suitable site location	Site location needs to be assessed in relation to the planned school usage and travel time. For example, travel time is less important for a facility which is used for occasional after school activities or ad-hoc events (such as sports days or cultural performances), but is very important for a facility which is to be used every day during normal class times, such as a library, hospitality or science facility. Although these assets can still be shared facilities, they must be close enough to be practically useable
Exit provisions	All agreements need well considered exit provisions (including both positive and negative exit scenarios), such as notice periods, exit/end of term provisions and obligations and provisioning for future facilities when one party exits
Documented usage arrangements	Usage arrangements need to be well specified and consider practical issues such as travel time and timetabling
Provision for regular review	The Memorandum of Understanding (MOU) or Joint Development Agreement (JDA) must include a mechanism for regular review, so new parties know the intent and obligations
Baseline assessment of cost and benefits	Before parties enter into a sharing arrangement, a detailed assessment of the costs and benefits needs to be undertaken. This assessment needs to compared against a dedicated facilities scenario (i.e. No sharing arrangement)
Funding eligibility assessment	Consideration should be given to specific State and Commonwealth funding eligibility, where it is required. For example, access to some school capital funding sources is dependent on schools either owning the land or having access to the facility through a minimum of a 20-year lease.
SHARING ARRANGEMENTS ON SCHOOL SITES	
Suitable site access points	The facility must be externally accessible and have separate access points for internal and external use
Corporate level support for the agreement	Commitments need to be supported at a head office or equivalent level (not just the Principal).

The minimum requirements above should be used as both a prerequisite checklist for sharing projects and a tool to assist project risk assessments.

SHARING CONSIDERATIONS, POTENTIAL FACILITIES AND SHARING OPTIONS

The diagram below identifies the three key components of education facility sharing:

a. Sharing considerations – The unique characteristics / drivers of the project need

b. Facility types – The type of education facilities that provide the highest potential for sharing

c. Sharing options – The potential sharing arrangements.

SHARING CONSIDERATIONS

- Required tenure (short or long term need)
- Utilisation
- Land availability
- Affordability
- Market capability
- Partnering opportunities
- Value for money (financial & functional improvements)

FACILITIES TYPES

- Sports fields
- Indoor sports facilities
- Performing arts facilities
- Science labs/ hospitality/ trade training facilities
- Libraries/ resource centres
- Enterprise/ Innovation/ Media centres
- Community centres

SHARING OPTIONS (SHORT OR LONG TERM)

1 One school builds and the other uses on a fee for service basis

2 Joint development on either school or council land

3 Joint development on jointly owned land

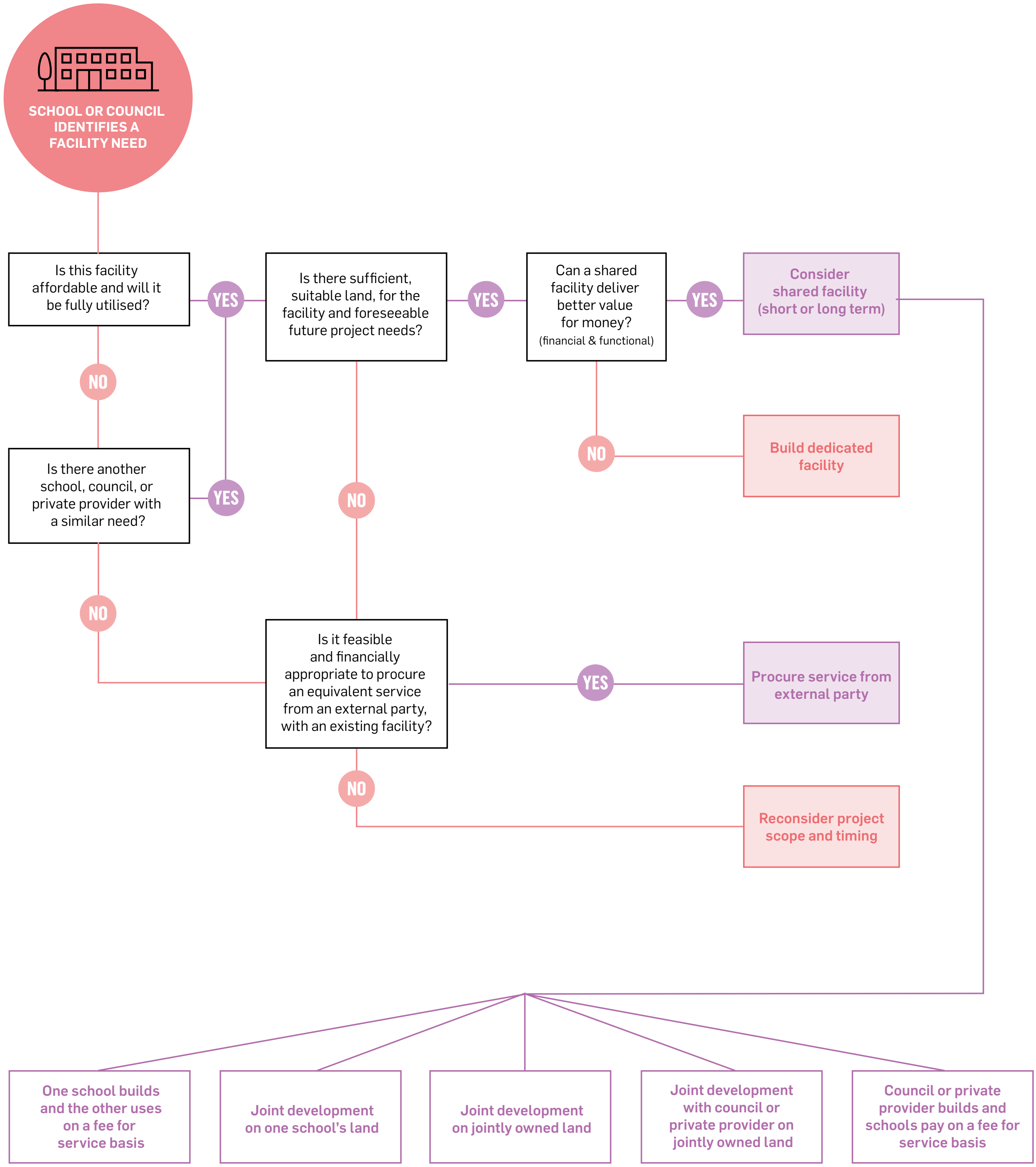
4 Joint development with Council or private provider on jointly owned land

5 Council or private provider builds and users pay on a fee for service basis

Note: Only commercial sharing considerations have been identified, in most cases there will also be educational considerations.

SUITABILITY ASSESSMENT

The below diagram provides a simple decision tree to assist in assessing the suitability of a shared education facility.



3.0 CASE STUDIES

The study identified examples of facility sharing between schools and councils to identify benefits that could be obtained through facility sharing. Six recent examples are included on the following pages.

SHEEPSTATION GULLY ENVIRONMENTAL LEARNING CENTRE

St Stephen's School Algester and Algester State School jointly operate an environmental learning centre on St Stephen's land. (2011)

Key roles:

- Federal Government – Fund
- St Stephens (host school) – Own, use, jointly operate and maintain
- Algester State School (guest school) – Use, jointly operate and maintain

Both parties gained access to a specialist facility which allows extended curriculum opportunities that neither party would have been able to create on their own. The costs of the facility are equally shared and the facility is fully utilised during school hours.

Image courtesy of wfmelectrical.com.au

GAYNDAH ARTS AND CULTURAL CENTRE

St Joseph's School Gayndah, Gayndah State School and North Burnett Regional Council converted an unused former convent on St Joseph's land into teaching spaces, workshop areas, an art gallery and a commercial kitchen. (2012)

Key roles:

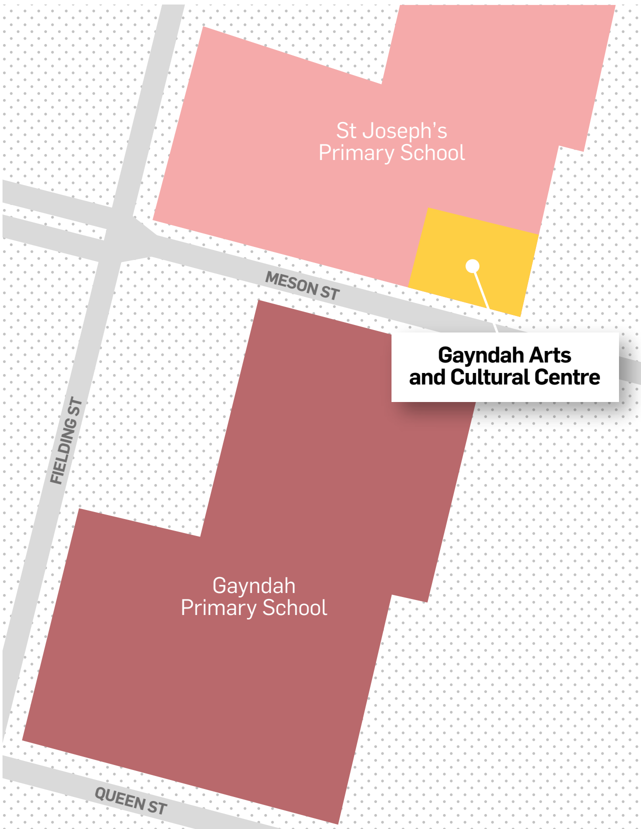
- Federal Government – Fund
- St Joseph's (host school) – Own, use, operate and maintain
- Gayndah State School (guest school) – Use, contribute to operating and maintenance costs
- North Burnett Regional Council – Use, contribute to operating and maintenance costs

All parties gained access to a specialist facility which allows extended curriculum opportunities and community use that each group would not have been able to create on their own.

Unfortunately, since the opening of the facility in 2012 the enrolment numbers of both schools have declined, reducing the need for the facility and creating cost pressures for all parties. Staff changes within the schools have also occurred and, as a consequence, Gayndah State School has withdrawn from the arrangement. As a result, the operating costs of the centre are now fully met by St Joseph's Primary School and North Burnett Regional Council.

This is a similar long term arrangement to Scenario 5 (page 52) where schools and councils jointly develop a performing arts complex.

Images courtesy of poi-australia.com.au



WOODCREST STATE COLLEGE/ SPRINGFIELD TECH CENTRE

Ipswich City Council contributed funds to Woodcrest State College to upgrade school owned ovals including lighting, irrigation and a small club house and in return the school provide Council with a 20 year lease to use the ovals outside of school hours. (2014)

Key roles – Woodcrest State College Ovals:

- Woodcrest College – Own and use during school hours
- Ipswich City Council – Upgraded, use, operate and maintain for a period of 20 years

In addition, Woodcrest developed a trade training centre on council land under a 20 year lease. The school uses it during school hours and the community use it after hours.

Key roles – Trade Training Centre:

- Federal Government – Fund
- Woodcrest State College – Use, operate and maintain for a period of 20 years
- Ipswich City Council – Own

All parties gained access to additional facilities that they would not have been able to create on their own. The collaboration has generated additional value from the assets.

This is a similar long term arrangement to Scenario 3 (page 40) where schools and council jointly develop sports fields.

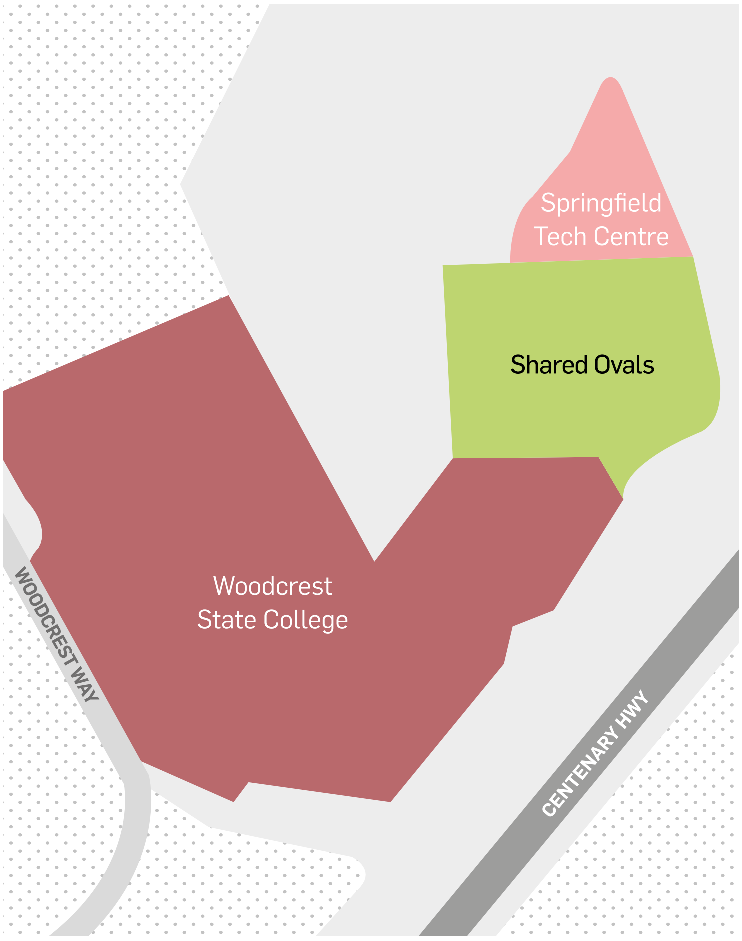


Image courtesy of springfieldtechcentre.com.au

SCHOOL HALL – SPRINGFIELD CENTRAL STATE HIGH / IPSWICH CITY COUNCIL

Springfield Central State High School and Ipswich City Council are working together to create a shared hall on council land. It will be used by the school during school hours and by the community after hours.

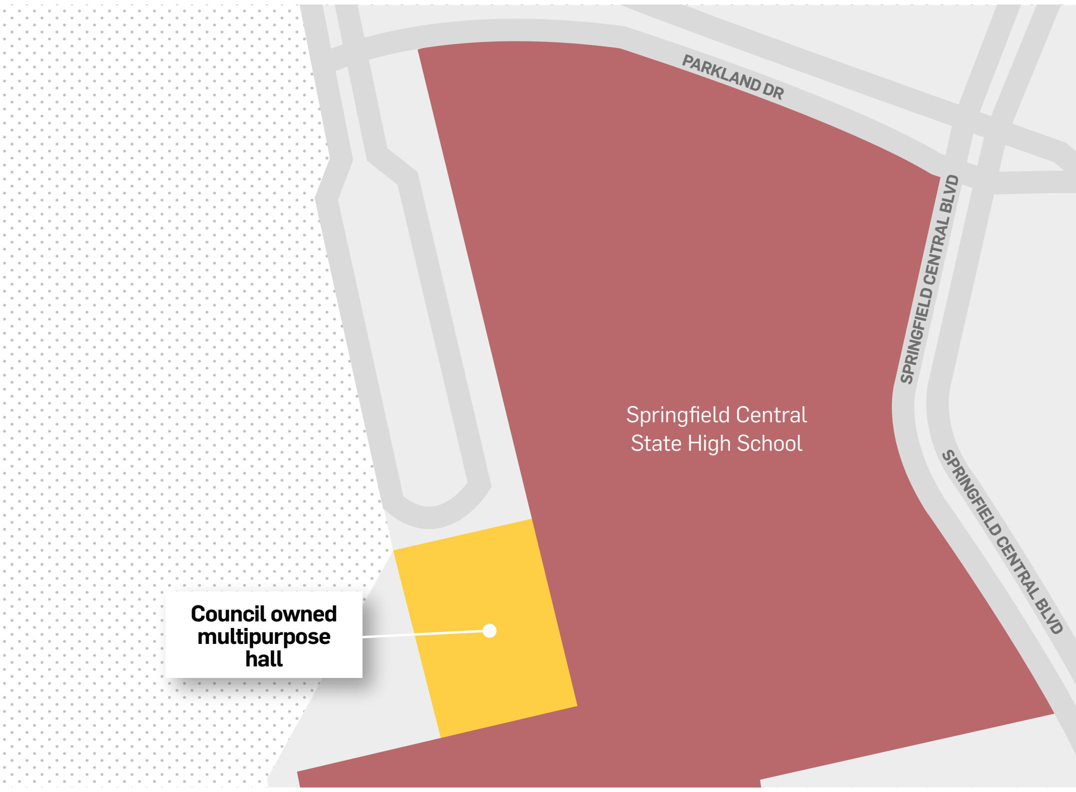
Key roles:

- Springfield Central State High School – Jointly use, operate and maintain for a period of 20 years
- Ipswich City Council – Own, jointly use, operate and maintain.
- Springfield Central State High School will gain to access to additional facilities that they would not have been able to create on their own. Ipswich City Council and community users will gain earlier access to a facility at a reduced cost to taxpayers.

This is a similar long term arrangement to Scenario 2 (page 34) where the schools and council jointly develop a sports hall.

Image courtesy of capworks.com.au

Image courtesy of cobie.com.au



CAROLINE SPRINGS

A partnership program between the Shire of Melton, Delfin Lend Lease, Independent Colleges Australia (ICA) Melton College, Caroline Springs College, St George Preca Catholic Primary School and the State government that successfully delivered a range of joint use community infrastructure including education infrastructure, shared libraries and sport and recreation facilities. (2007)

Key roles:

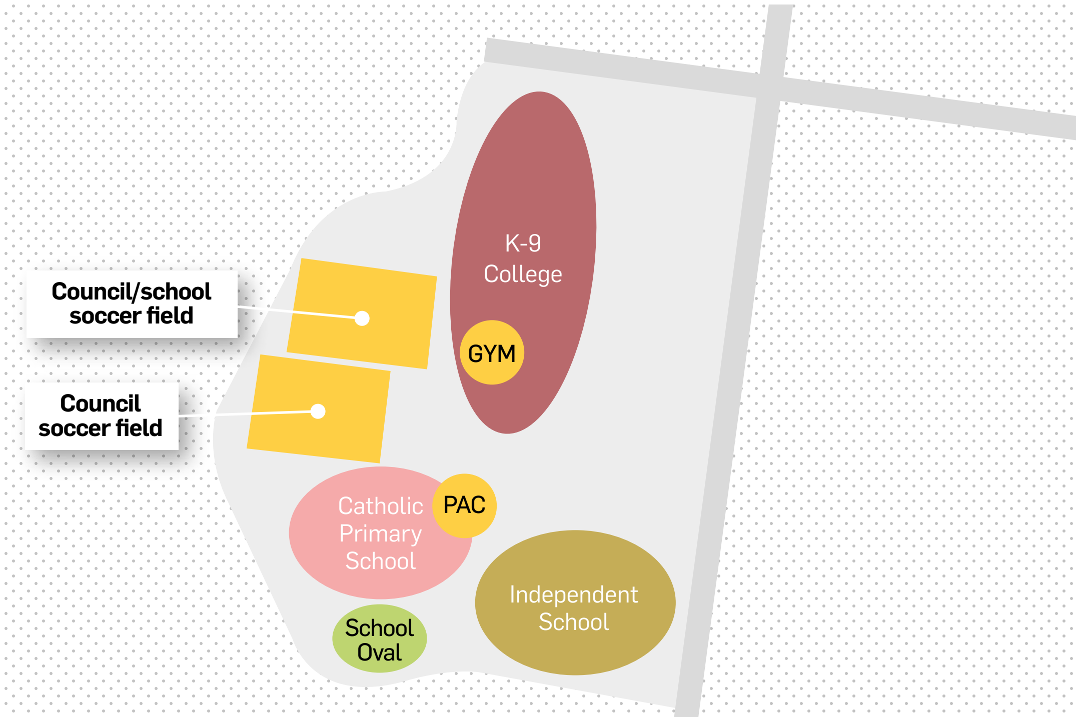
- "Broker" - In addition to the individual parties listed above, coordination of the alliance was the responsibility of a single high-level "broker". The broker's role was threefold:
  - Build and mediate relationships
  - Coordinate activities
  - Build capacity within member organisations

The alliance model realised efficiencies in:

- Decreased costs and increased contributions
- More facilities provided for the same cost and some delivered early
- More efficient use of space and designs that were more integrated and enhanced the overall feel of a community
- Efficient sequencing with gaps in services minimised.

Image courtesy of barryplant.com.au


Image courtesy of watpac.com.au



VICTORIA AVENUE COMMUNITY PRECINCT

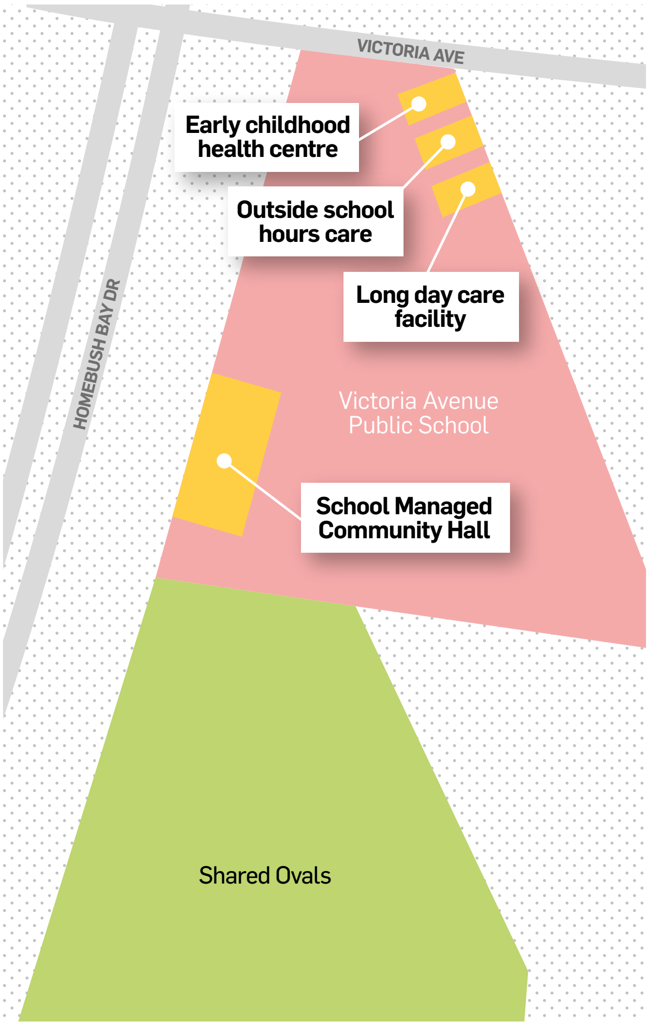
A partnership program between the NSW Department of Education, the City of Canada Bay and the Sydney Local Health District (NSW Health) that delivered a new 600 student primary school, a 47 place long day care facility, an early childhood health centre, shared used playing fields, a shared use hall and an outside school hours care facility on council owned land.

Key roles:

- NSW Department of Education – operates the school and shared use hall
- City of Canada Bay –manages the shared use playing fields and long day care facility
- Sydney Local Health District (NSW Health) – operates the early childhood health centre
- Cubbyhouse Childcare – operates outside school hours care from dedicated facilities in the precinct

Co-location has enabled collaboration between the services in the precinct, enhancing the service offering for families with young children in the local area. The partnership enabled access to suitable land at no cost to provide the new school, easing pressure on surrounding schools. At the same time additional community facilities were able to be provided.

Images courtesy of a4le.org.au



4.0 SHARING SCENARIOS FOR ANALYSIS

Seven sharing scenarios were identified for further analysis:

1. **Indoor Sports** – Short term sharing between two schools
2. **Indoor Sports** – Long term sharing between two schools and a council
3. **Sports Fields** – Long term sharing between two schools and a council
4. **Hospitality** – Medium term sharing between two schools
5. **Performing Arts Complex** – Long term sharing between two schools and a council
6. **Resource Centre** – Medium term sharing between a school and a council
7. **Enterprise Hub** – Long term sharing between a school and a council

Each scenario represents an example of a potential sharing opportunity between schools (primary and/or secondary) and/or councils. Although each scenario has been defined with a specific number of parties, tenure and site location, the scenarios are meant to provide an indicative cross section of the range of possibilities, rather than an exclusive list of recommend sharing options. The benefits described are based on modelling assumptions and will vary based on individual project circumstances

The scenarios are defined as:

- **Short term** – sharing arrangement lasts for less than 5 years
- **Medium term** – sharing arrangement lasts for 5 to 15 years
- **Long term** – sharing arrangement lasts for more than 15 years

To demonstrate the potential financial benefits a Net Present Cost (NPC) has been calculated for each scenario. This is the present cost of all the project and operating expenses over the life of the project (20 years). The following discount and escalation rates have been applied:

- **Discount rate** – 3.1% (rate used for discounting future cash flows to present value)
- **Project Costs** – 2.0% escalation
- **Operating Costs** – 2.5% escalation

The NPC of the sharing scenario has then been compared to the total cost of the non-sharing scenario to determine a sharing benefit %. This is calculated as (NPC non-sharing scenario less NPC sharing scenario divided by NPC non-sharing scenario).

Sensitivity Analysis has been conducted on each scenario for the following variables:

a. Shared facility project costs increase by 20%

b. Shared facility operating costs increase by 20%

c. Parties withdraw from agreement earlier than expected (and build their own facilities)

d. Host use is 20% higher

e. Guest use is 20% higher

f. Scenario 3 only: Changes to land purchasing assumptions. (This scenario assumes the schools have existing land for the construction of their fields. The sensitivity test assumes the schools must purchase the land to build their own dedicated facility).

1 INDOOR SPORT – SHORT TERM SHARING

PROJECT NEED

- Two closely located schools have a need for a multipurpose indoor sports facility
- Both schools have sufficient land to build a facility, but neither party has a full time need or sufficient funds to justify a dedicated facility
- There are no existing suitable facilities in the local area
- Both schools expect to have sufficient need for dedicated facilities by year 5

Non-Sharing Scenario

- Both schools build a single court facility.

Sharing Scenario

One school builds a facility, which the second school uses on a fee for service basis until they need to build their own dedicated facility.

- Host School: Fund, build, own, operate and maintain a facility on their site
- Guest School: Uses the facility on a fee for service basis until it builds its own facilities
- Agreement Type: Fee for service
- Operating Model: Host/Guest
- Usage:
  - School A 50%
  - School B 50%

Non-Sharing Scenario

SCHOOL A – Builds dedicated facility

SCHOOL B – Builds dedicated facility

Both assets are **UNDERUTILISED** for first 5 years

- ✓ Onsite convenience from year 1 (if projects funded)
- ✗ Underutilised assets

Sharing Scenario

SCHOOL A – Builds shared facility

SCHOOL B – Uses School A's facility on fee for service basis

All assets are **OPTIMALLY UTILISED**

SCHOOL B – Builds dedicated facility, when required

- ✓ Assets are fully utilised
- ✓ Delayed capital outlays
- ✓ Higher chance of being funded therefore early access to facilities
- ✗ Some travel inconvenience for School B in the first five years

1

Sharing Outcome

- Host School (A) – incurs upfront project costs, as they would in the non-sharing scenario, but has reduced operating costs because these are offset by the fee for service they receive from the guest school
- Guest School (B) – has a delayed project cost (5 years) and marginally reduced operating costs compared to the non-sharing scenario of building their own facility.

Key Assumptions

- The indoor sports facility is shared until year five when Guest School B builds its own facility
- The shared facility can meet the projected demand of both schools in the first five years
- The square metre cost of both facilities are equal
- The fee for service charges to the guest school have been calculated as a percentage of the operating cost and a proportion of the depreciation cost (both figures are based on usage)
- The cost of operating one shared facility is less than the combined cost of operating two separate facilities.

SUMMARY ANALYSIS

	SCHOOL A – HOST		SCHOOL B – GUEST	
	Non-shared Facility	Shared facility	Non-shared Facility	Shared facility
COSTS – NPC (discount rate 3.1%)	**$m**	**$m**	**$m**	**$m**
Project Costs	1.60	1.65	1.60	1.52
Operating Costs (20 years)	0.62	0.65	0.62	0.46
Revenue	-	-	-	-
Exit Payment Paid / (Received)	-	-	-	-
Fees Paid / (Received)	-	(0.16)	-	0.16
NPC (20 years)	**2.22**	**2.14**	**2.22**	**2.14**
SHARING BENEFIT (% BENEFIT OVER NOT SHARING)		3.8%		3.8%

Non-Sharing Scenario Assumptions

The table below details the assumptions utilised within the non-sharing scenario.
(All estimates exclude inflation.)

	SCHOOL A	SCHOOL B
CONSTRUCTION COSTS	**Year 0 Build**	**Year 0 Build**
Build	650m² multipurpose sports hall (1 court) @ $1605 per sqm	650m² multipurpose sports hall (1 court) @ $1605 per sqm
Ancillary space	80m² @ $1000 per sqm	80m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	800m² @ $400 per sqm	800m² @ $400 per sqm
ONGOING COST/ REVENUE	**Year 1–20**	**Year 1–20**
Revenue from external parties	$nil	$nil
Maintenance	1% of build cost	1% of build cost
Cleaning	5 days at 1.5 hours for 42 weeks at $35 per hour	5 days at 1.5 hours for 42 weeks at $35 per hour
Electricity	42 weeks at $70 per week and 10 weeks at $20 per week	42 weeks at $70 per week and 10 weeks at $20 per week
Water	42 weeks at $30 per week	42 weeks at $30 per week
Insurance	0.5% of build cost	0.5% of build cost
Upgrades	$nil	$nil

Sharing Scenario Assumptions

The table below details the assumptions utilised within the sharing scenario.
(All estimates exclude inflation.)

	SCHOOL A	SCHOOL B
USAGE	**50%**	**50%**
CONSTRUCTION COSTS	**Year 0 Build**	**Year 5 Build**
Build	650m² multipurpose sports hall (1 court) @ $1605 per sqm	650m² multipurpose sports hall (1 court) @ $1605 per sqm
Ancillary space	80m² @ $1000 per sqm	80m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	800m² @ $400 per sqm	800m² @ $400 per sqm
Establishment fees	$50k	$nil
Exit fee	$nil	$nil
ONGOING COST/ REVENUE	**Year 1–5**	**Year 1–20**
Revenue from external parties	$nil	$nil
Maintenance	School A receives a fee for service payment from School B equal to half the depreciation cost on a 50-year life building, plus 50% of operating expenses	See School A
Operating expenses	Same as non-sharing scenario plus 2hr per week AO6 staff member	$nil
ONGOING COST/ REVENUE	**Year 6–20**	**Year 6–20**
Fee for service	$nil	$nil
Operating Expenses	Same as non-sharing scenario	Same as non-sharing scenario
Upgrades	$nil	$nil

1

Sensitivity Analysis

All scenarios assume no change to the non-sharing scenario.

	SCHOOL A	SCHOOL B
CONSTRUCTION COSTS	**Year 0 Build**	**Year 0 Build**
Non-shared facilities – NPC	2.22	2.22
Shared facility (50%/50% utilisation) – NPC	2.14	2.14
Sharing benefit (% benefit over not sharing) [1]	**3.8%**	**3.8%**
SENSITIVITY ANALYSIS		
Shared project costs (including land) increase by 20%		
Revised shared facility NPC	2.51	2.16
Revised sharing benefit [2]	**-13.1%**	**2.9%**
Shared operating costs increase by 20%		
Revised shared facility NPC	2.25	2.15
Revised sharing benefit	**-1.2%**	**3.1%**
Timing – School B pulls out of the arrangement after year 1 and builds their own facility		
Revised shared facility NPC	2.26	2.20
Revised sharing benefit [3]	**-1.9%**	**0.8%**
School A utilisation is 20% higher (60%/40% utilisation)		
Revised shared facility NPC	2.17	2.10
Revised sharing benefit	**2.3%**	**5.3%**
School B utilisation is 20% higher (40%/60% utilisation)		
Revised shared facility NPC	2.11	2.17
Revised sharing benefit	**5.2%**	**2.5%**

Notes: [1] Both parties achieve a benefit as School A receives a service fee in the first five years (thus reducing its operating costs) and School B has a delay in capital expenditure (thus reducing its project costs)

[2] As School A is the owner, School A incurs all the project costs and therefore bears the project risk should the shared facility cost more than expected. (School A and B would also incur a proportional increase in operating costs as a result of a project cost increase.)

[3] If School B pulls out after year 1, School A loses the fee for service revenue stream it would otherwise receive and School B must bring forward its capital expenditure, therefore both parties are negatively impacted.

SUMMARY ASSESSMENT

This sharing scenario demonstrates that sharing a facility for five years under a fee for service arrangement can provide the following benefits:

Reduced costs

School A incurs similar project costs. School B's project establishment costs are reduced due to the delayed capital outlay. The overall operating costs (including fees paid/received) is lower for both parties.

Earlier or improved access to specialist facilities

Both schools have gained access to the facility earlier as under normal circumstances facilities are not constructed until the schools meet a minimum threshold level.

Improved land use efficiency

The second facility is only constructed when it is required (through maximising the utilisation of the shared facility in the early years).

Increased engagement with the broader community

Potential for community use of the facility out of school hours.

Making it Work

The benefits will only be achieved if:

- The minimum commercial and practical requirements for sharing arrangements (as described in Section 2) have been met
- Schools are close enough for usage to be effective
- School usage timetables are agreed and followed
- The fee for use is commercially acceptable
- The cost of managing the arrangement is not excessive.

Additional Opportunities

Additional opportunities under this scenario include:

- Additional revenue may be possible with weekend and night access for community use
- School B can take advantage of the delayed development to find alternative funding sources and to carefully design an appropriate facility for its requirements.
- This scenario could equally apply to other specialist facilities such science labs, resource centres or media centres where funding for two facilities is not available upfront.

2 INDOOR SPORT – LONG TERM SHARING

PROJECT NEED

- Two closely located schools and a council all have a need for a multipurpose indoor sports facility
- All parties have an ongoing need for the facilities
- There are no existing suitable facilities in the local area

Non-Sharing Scenario

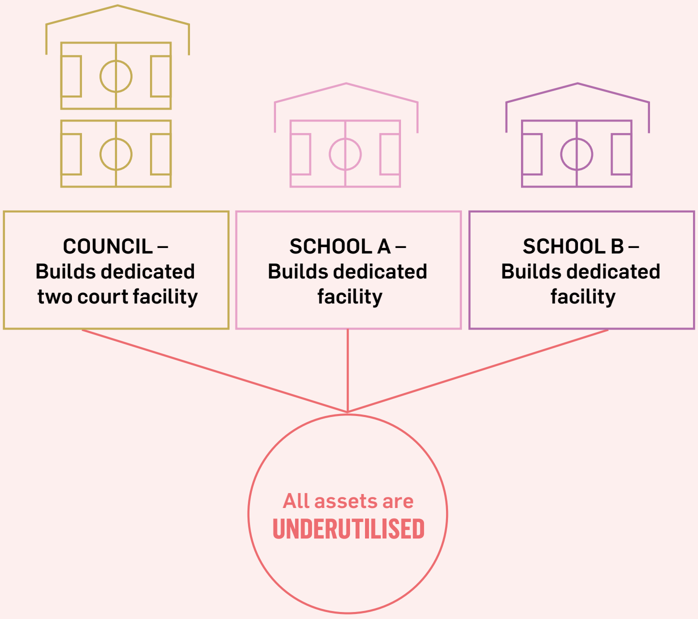
- Each party builds their own facility resulting in four courts across three indoor sports facilities, i.e.:
  - Council builds a 1,260m² multipurpose hall (two courts)
  - School A and B build a 650m² multipurpose hall each (one court each)

Sharing Scenario

Joint development on jointly owned land.

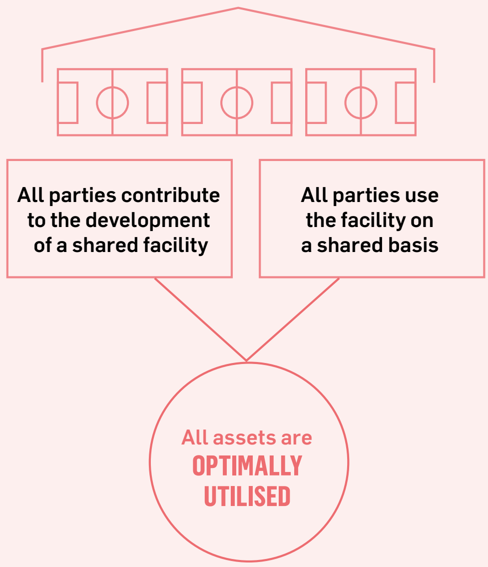
- All Parties: Fund, build, own and maintain one 1,870m² multipurpose sports hall (three courts) on joint land
- Council: Operates (or engages a 3rd party operator)
- Agreement Type: Joint Development
- Operating Model: Joint Venture
- Usage:
  - Council 56%
  - School A 22%
  - School B 22%

Non-Sharing Scenario



- ✓ Onsite convenience (if projects funded)
- ✗ Council assets are underutilised during school hours
- ✗ School assets are underutilised outside of school hours (nights, weekends, school holidays)

Sharing Scenario



- ✓ Assets are fully utilised
- ✓ Reduced capital and operating costs
- ✓ All parties have access to a better (larger) facility
- ✗ Some travel inconvenience for the schools

2

Sharing Outcome

- All Parties – incur reduced project and operating costs (depending on usage) because they only fund a portion of the costs of one shared facility as compared to incurring all the costs of building three individual facilities. The sharing model is operationally efficient as school use is during school hours and council use is outside of school hours (ie nights, weekends and school holidays), therefore the shared facility achieves much higher utilisation than the three individual facilities.

Key Assumptions

- The facilities in both the non-sharing and the sharing scenario are built in year 0
- The facility is used by the schools during the day and council after school hours and on weekends
- The shared facility can meet the demand of all parties
- The square metre cost of all facilities are equal
- The cost of operating one shared facility is less than the combined cost of operating three separate facilities.

SUMMARY ANALYSIS

	COUNCIL – 56%		SCHOOL A & B – 22% EACH	
	Non-shared Facility	Shared facility	Non-shared Facility	Shared facility
COSTS – NPC (discount rate 3.1%)	**$m**	**$m**	**$m**	**$m**
Project Costs	3.13	2.50	1.60	0.99
Operating Costs (20 years)	1.10	0.87	0.62	0.34
Revenue	-	-	-	-
Exit Payment Paid / (Received)	-	-	-	-
Fees Paid / (Received)	-	-	-	-
NPC (20 years)	**4.23**	**3.37**	**2.22**	**1.33**
SHARING BENEFIT (% BENEFIT OVER NOT SHARING)		20.3%		40.0%

Non-Sharing Scenario Assumptions

The table below details the assumptions utilised within the non-sharing scenario.
(All estimates exclude inflation.)

	COUNCIL	SCHOOL A & B (EACH)
CONSTRUCTION COSTS	**Year 0 Build**	**Year 0 Build**
Build	1260m² multipurpose sports hall (2 courts) @ $1605 per sqm	650m² multipurpose sports hall (1 court) @ $1605 per sqm
Ancillary space	160m² @ $1000 per sqm	80m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	1600m² @ $400 per sqm	800m² @ $400 per sqm
ONGOING COST/ REVENUE	**Year 1–20**	**Year 1–20**
Revenue from external parties	$nil	$nil
Maintenance	1% of build cost	1% of build cost
Cleaning	7 days at 1.5 hours for 52 weeks at $35 per hour	5 days at 1.5 hours for 42 weeks at $35 per hour
Electricity	52 weeks at $70 per week	42 weeks at $70 per week and 10 weeks at $20 per week
Water	52 weeks at $30 per week	42 weeks at $30 per week
Insurance	0.5% of build cost	0.5% of build cost
Upgrades	$nil	$nil

Sharing Scenario Assumptions

The table below details the assumptions utilised within the sharing scenario.
(All estimates exclude inflation.)

USAGE	
Council 56% | School A 22% | School B 22% During school term, the hall is operational from 8am to 10pm, 5 days per week (42 weeks) with school use being from 8am to 5pm and council use from 5pm to 10pm. On weekends council use it for 10 hours per weekend day. (8am to 6pm). In school holidays council use the hall 5 days a week for 10 hours a day (8am to 6pm). All costs are split on this basis	
CONSTRUCTION COSTS	**Year 0 Build**
Build	1870m² multipurpose sports hall (3 court) @ $1605 per sqm
Ancillary space	160m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost
Furniture/Equipment	5% of build cost
Land	2000m² @ $400 per sqm
Establishment fees	$70k
EXIT PAYMENTS	
Exit fee	$nil
ONGOING COST/ REVENUE	**Year 1–20**
Revenue from External Parties	$nil
Fee for service	$nil
Maintenance	1% of build cost
Cleaning	2 hours/day for 7 days/week for 52 weeks at $35 per hour
Electricity	52 weeks at $90 per week
Water	52 weeks at $50 per week
Insurance	0.5% of build cost
Upgrades	$nil

2

Sensitivity Analysis

All scenarios assume no change to the non-sharing scenario.

CONSTRUCTION COSTS	COUNCIL Host NPC / Benefit (20 years) $m	SCHOOL A & B Guest NPC / Benefit (20 years) $m
Non-shared facilities – NPC	4.23	2.22
Shared facility (50%/50% utilisation) – NPC	3.37	1.33
Sharing benefit (% benefit over not sharing) [1]	**20.3%**	**40.0%**
SENSITIVITY ANALYSIS		
Shared project costs (including land) increase by 20%		
Revised shared facility NPC	3.97	1.57
Revised sharing benefit [2]	**6.0%**	**29.3%**
Shared operating costs increase by 20%		
Revised shared facility NPC	3.54	1.4
Revised sharing benefit [2]	**16.2%**	**37.0%**
Timing – Schools pull out of arrangement in year 5 – For modelling purposes the assumption is that council repays an exit fee equal to the depreciated value of the school's contributed building costs and the appreciated value of the school's contribution to land		
Revised shared facility NPC	5.43	2.28
Revised sharing benefit [2]	**-28.5%**	**-2.4%**
Council utilisation is 20% higher (66%/17%/17% utilisation)		
Revised shared facility NPC	3.95	1.04
Revised sharing benefit	**6.6%**	**53.1%**
School utilisation is 20% higher (46%/27%/27% utilisation)		
Revised shared facility NPC	2.76	1.64
Revised sharing benefit [3]	**34.7%**	**26.3%**

Notes: [1] All parties achieve a benefit through reduced project and operating costs as a result of sharing one large building and not underutilising three smaller buildings. School A and B receive the most benefit as their utilisation of the shared facility is much less than Council and as a result they incur much less cost

[2] In this scenario, School A and B must build another facility each and Council is left with the cost of an underutilised three court facility. The overall result is five courts (three buildings) when only three courts (in one building) were required

[3] All other sensitivity tests still result in a positive benefit in comparison to the non-sharing scenario. The increased sensitivity for Council reflects the increased utilisation and therefore risk to Council.

SUMMARY ASSESSMENT

This sharing scenario demonstrates building a fit for purpose sharing facility for long term use can provide:

Reduced costs

The shared facility reduces the establishment costs for all parties. The overall operating costs are lower for all parties.

Earlier or improved access to specialist facilities

All parties have access to an improved three court facility.

Improved land use efficiency

Only one parcel of land has been used instead of three.

Opportunities for broader curriculum offerings

A larger sports facility (three courts versus two courts) provides greater curriculum opportunities.

Increased engagement with the broader community

A larger sports facility (three courts versus two courts) will provide greater access to the public.

Making it Work

The benefits will only be achieved if:

- The minimum commercial and practical requirements for sharing arrangements (as described in Section 2) have been met
- The facilities are close enough to the two schools for usage to be effective
- School and council usage timetables are agreed and followed. Community use is generally restricted to out of school hours.
- There is no significant cost to manage the arrangement.

Additional Opportunities

Additional opportunities under this scenario include:

- School A and B can take advantage of the unused land (which would have been required) for additional facilities or curriculum offerings
- Cost savings could be used for other purposes

This scenario could equally apply to other specialist facilities such as trade training centres, resource centres or media centres where utilisation is low and can therefore be shared.

3 SPORTS FIELDS – LONG TERM SHARING

PROJECT NEED

- Several local schools and sporting clubs all have needs for additional sporting fields, at mostly non-conflicting times
- There are unused Council fields within the area that could meet the needs of all parties, if improvements are made to playing surfaces, lighting and ancillary facilities

Non-Sharing Scenario

- Each school and the council completes a basic upgrade of their own fields (land is unused and has no economic value)
- Council develops two fields (150m x 300m)
- Each school develops their own field (150m x 150m).

Sharing Scenario

Joint development on jointly owned land.

- All Parties: Jointly upgrade three fields on existing unused council fields (150m x 450m) with (supporting infrastructure such as storage/water tanks/change facilities) and lighting
- All Parties: Fund, build, own and maintain on a usage % basis
- Council: Operates (or engages a 3rd party operator)
- Schools: Pay a lease fee plus their portion of maintenance costs (based on usage)
- Agreement Type: Joint Development
- Operating Model: Joint Venture plus lease fee
- Usage:
  - Council 55%
  - School A 22.5%
  - School B 22.5%

Non-Sharing Scenario

COUNCIL – Develops two dedicated fields

SCHOOL A – Builds one dedicated field

SCHOOL A – Builds one dedicated field

All assets are **UNDERUTILISED**

- ✓ Onsite convenience (if projects funded)
- ✗ Council assets are underutilised during school hours
- ✗ School assets are underutilised outside of school hours (nights, weekends, school holidays)

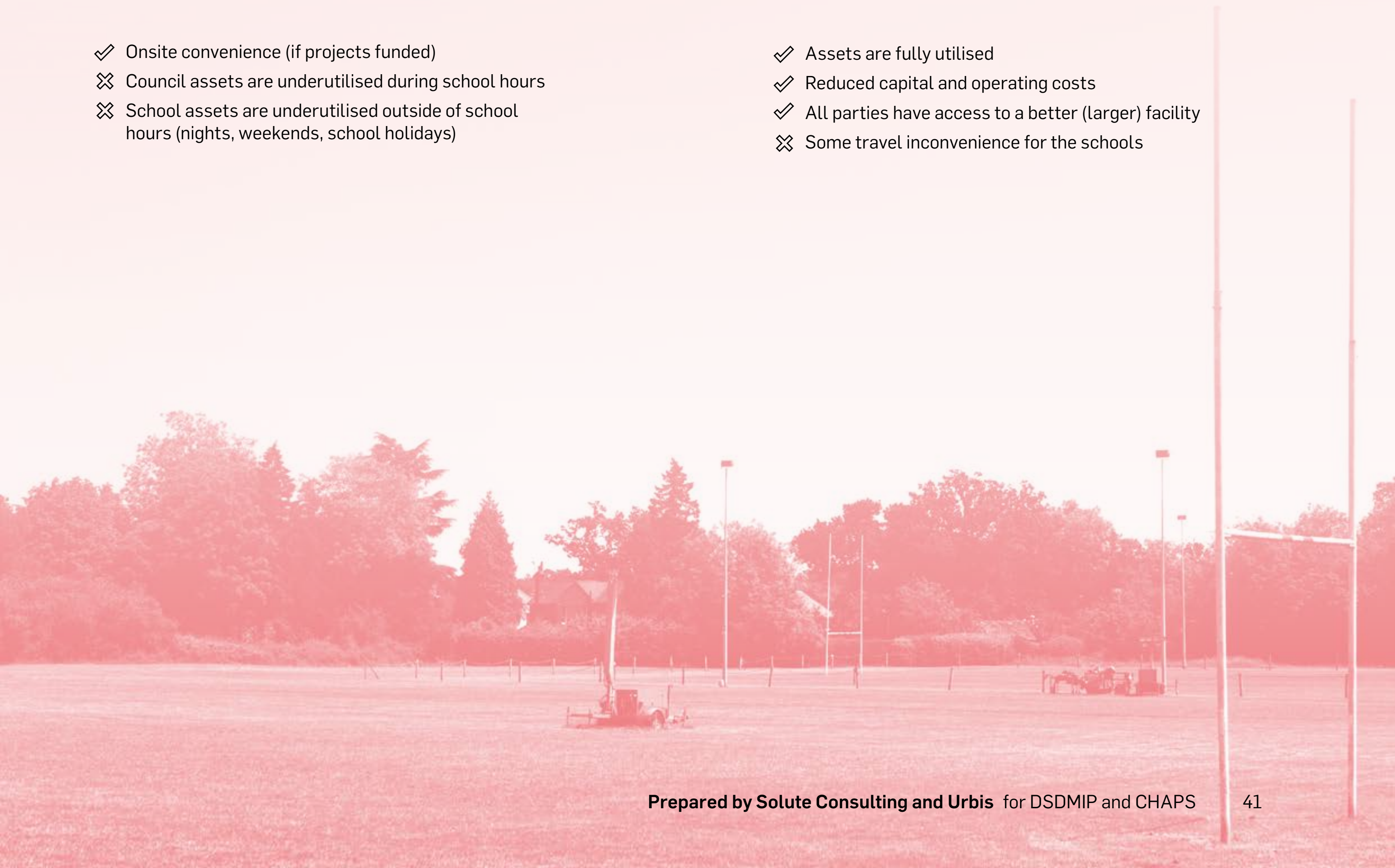
Sharing Scenario

All parties contribute to the development of a shared facility

All parties use the facility on a shared basis

All assets are **OPTIMALLY UTILISED**

- ✓ Assets are fully utilised
- ✓ Reduced capital and operating costs
- ✓ All parties have access to a better (larger) facility
- ✗ Some travel inconvenience for the schools



3

Sharing Outcome

- All Parties – incur reduced project and operating costs (depending on usage) because they only fund a portion of the costs of one shared facility as compared to incurring all the costs of three individually built facilities. The sharing model is operationally efficient as school use is during school hours and council use is outside of school hours therefore the shared facility achieves much higher utilisation than the individual fields.

Key Assumptions

- The fields are developed in Year 0 for the non-shared and the shared facility scenarios
- The facility is used by the schools during the day and council after school hours and on weekends
- The shared facility can meet the demand of all parties
- The square metre cost to develop the land and ancillary space of the shared facility is equal however the final project cost includes an additional amount for lighting
- The cost of operating one shared facility is less than the combined cost of operating three separate facilities.

SUMMARY ANALYSIS

	COUNCIL – 55%		SCHOOL A & B – 22.5% EACH	
	Non-shared Facility	Shared facility	Non-shared Facility	Shared facility
COSTS – NPC (discount rate 3.1%)	**$m**	**$m**	**$m**	**$m**
Project Costs	3.38	2.98	1.69	1.23
Operating Costs (20 years)	0.71	0.67	0.36	0.28
Revenue	-	-	-	-
Exit Payment Paid / (Received)	-	-	-	-
Fees Paid / (Received)	-	0.04	-	0.02
NPC (20 years)	**4.09**	**3.61**	**2.05**	**1.53**
SHARING BENEFIT (% BENEFIT OVER NOT SHARING)		11.7%		25.1%

Non-Sharing Scenario Assumptions

The table below details the assumptions utilised within the non-sharing scenario.
(All estimates exclude inflation.)

	COUNCIL	SCHOOL A & B (EACH)
CONSTRUCTION COSTS	**Year 0 Build**	**Year 0 Build**
Build	150m x 300m (2 football fields) @ $65 per sqm	150m x 150m (1 football field) @ $65 per sqm
Ancillary space	160m² @ $1000 per sqm	80m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Land	$nil – existing unused land	$nil – existing unused land
ONGOING COST/ REVENUE	**Year 1–20**	**Year 1–20**
Revenue from external parties	$nil	$nil
Fee for service	1% of build cost	1% of build cost
Maintenance	$nil	$nil
Electricity	$nil	$nil
Water	52 weeks at $120 per week	52 weeks at $60 per week
Insurance	0.5% of build cost	0.5% of build cost
Upgrades	$nil	$nil

Sharing Scenario Assumptions

The table below details the assumptions utilised within the sharing scenario.
(All estimates exclude inflation.)

USAGE	
Council 55% I School A 22.5% I School B 22.5% School use is from 8am to 5pm, 5 days per week, 42 weeks per year (both schools share those school hours equally) and Council use is from 5pm to 10pm on school days, 9am to 5pm on school holidays and weekends. All costs capital and operating are split on this basis.	
CONSTRUCTION COSTS	**Year 0 Build**
Build	150m x 450m (3 football fields) @ $65 per sqm
Ancillary space	250m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost
Furniture/Equipment	Lighting $300k
Land	$nil – unused Council land
Establishment fees	$70k
EXIT PAYMENTS	
Exit fee	$nil
ONGOING COST/ REVENUE	**Year 1–20**
Revenue from External Parties	$nil
Fee for service	Admin fee of $1000 charged to each school per annum
Maintenance	1% of build cost
Electricity	52 weeks at $50 per week
Water	52 weeks at $120 per week
Insurance	0.5% of build cost
Upgrades	$nil
Upgrades	$nil

3

Sensitivity Analysis

All scenarios assume no change to the non-sharing scenario.

	COUNCIL	SCHOOL A & B
CONSTRUCTION COSTS	**Host NPC / Benefit (20 years) $m**	**Guest NPC / Benefit (20 years) $m**
Non-shared facilities – NPC	4.09	2.05
Shared facility (56%/22%/22% utilisation) – NPC	3.61	1.53
Sharing benefit (% benefit over not sharing) [1]	**11.7%**	**25.1%**
SENSITIVITY ANALYSIS		
Shared project costs (including land) increase by 20%		
Revised shared facility NPC	4.32	1.83
Revised sharing benefit [2]	**-5.7%**	**10.7%**
Shared operating costs increase by 20%		
Revised shared facility NPC	3.75	1.59
Revised sharing benefit	**8.4%**	**22.4%**
Timing – Schools pull out of arrangement in Year 5 – For modelling purposes the assumption is that council repays an exit fee equal to the depreciated value of the school's contributed building costs		
Revised shared facility NPC	5.90	2.25
Revised sharing benefit [3]	**-44.3%**	**-10.1%**
Council utilisation is 20% higher (64%/18%/18% utilisation)		
Revised shared facility NPC	4.26	1.21
Revised sharing benefit [4]	**-4.2%**	**41.0%**
School utilisation is 20% higher (46%/27%/27% utilisation)		
Revised shared facility NPC	2.94	1.87
Revised sharing benefit	**28.2%**	**8.6%**
Land sensitivity - Schools must purchase land in their non-sharing scenarios		
Revised shared facility NPC	3.61	1.53
Revised sharing benefit [5]	**11.7%**	**86.1%**

Notes: [1] All parties achieve a benefit through reduced project and operating costs as a result of sharing three fields and not underutilising four non-shared fields. School A and B receive the most benefit as their utilisation is much less than Council and as a result they incur much less project and operating costs. In this scenario, there is no cost associated with land in both the non-sharing scenario and the shared facility scenario to allow for better comparison of shared development costs. As a result a further scenario for land sensitivity has been applied (See Note 5)

[2] An increase in project costs adversely affects all parties however because Council uses and therefore incurs the most cost associated with the facility, it also bears the most risk of increases to those costs

[3] In this scenario, School A and B must build another field each. Council is left with the cost of three underutilised fields and School A and B must fund their own fields. The overall result is five underutilised (and costly) fields when only three were required

[4] Further utilisation by Council erodes the benefit of the shared fields. The cost increase is more than building their own dedicated facility (without lights)

[5] Whilst it is likely that while Council may have access to undeveloped or underutilised land at no cost, the schools will have to purchase land to build dedicated fields. If the cost of land is included in the non-sharing scenario, the benefit of sharing council land for only the cost of development (i.e. no cost of land to schools in shared scenario) is significant. (Note: This scenario alters the non-sharing scenario assumption.)

[6] All other sensitivity tests still result in a positive benefit in comparison to the non-sharing scenario. The increased sensitivity for Council reflect the increased utilisation and therefore risk to Council.

SUMMARY ASSESSMENT

This sharing scenario demonstrates building a fit for purpose sharing facility for long term use can provide:

Reduced costs

All parties realise reduced establishment costs. The overall operating costs are lower for all parties.

Earlier or improved access to specialist facilities

The sporting facilities provide lighting and improved ancillary facilities than the non-sharing scenario.

Improved land use efficiency

Land use is reduced to three football fields instead of four football fields.

Opportunities for broader curriculum offerings

A larger facility with lights and more users provides greater opportunity for specialist facilities and coaching.

Increased engagement with the broader community

The development of the council land will provide improved access to the public.

Making it Work

The benefits will only be achieved if:

- The minimum commercial and practical requirements for sharing arrangements (as described in Section 2) have been met
- Sufficient unused Council land is available for use and is accessible to both the community and the schools
- Schools do not have to spend a significant amount of money to purchase the land from Council
- School and Council usage timetables are agreed and followed
- There is no significant cost to manage the arrangement.

Additional Opportunities

Additional opportunities under this scenario include:

- Additional revenue could be obtained through hiring out the ancillary facilities to the community
- Because land cost is minimal to the schools, funding and land availability is freed up to be used to construct additional specialist school facilities
- Cost savings could be used for other purposes.
- One or more of the fields could be allocated for community use during school hours at sometimes.

This scenario could equally apply to libraries, community centres or trade training facilities where unused council land is situated near schools.

4 HOSPITALITY[1] – MEDIUM TERM SHARING

PROJECT NEED

- Two closely located schools have a need for a special purpose hospitality facility
- There are no existing suitable facilities in the local area
- The initial usage of both schools is expected to be less than 50% each but both schools expect to need dedicated facilities by year 10

Non-Sharing Scenario

- Each school builds their own facilities.

Sharing Scenario

- Schools jointly build one facility on host school's land. The shared facility caters for both school's needs now and in the future. The agreement is not intended to exceed 10 years. At the discretion of either party, the agreement can be terminated at the end of the 5th schooling year or any year there-after, at pre-agreed annual exit values, which take into consideration the capital contribution less a usage payment
- Host School (A): provides land, pays portion of development costs and operating costs (based on pre-agreed usage) for the agreed period, pays exit fee to Guest School B.
- Guest School (B): pays portion of development costs and operating costs (based on pre-agreed usage) for the agreed period and develops a new facility when required on its own land.
- Agreement Type:
  Joint Development (agreed period)
- Operating Model: Joint Venture (with exit fee; agreed period)
- Usage:
  - School A 50%
  - School B 50%

[1] *This scenario could also apply to other specialist facilities such as science and trade training.*

Non-Sharing Scenario

SCHOOL A – Builds dedicated facility

SCHOOL B – Builds dedicated facility

All assets are **UNDERUTILISED** for first 5 years

- ✓ Onsite convenience from Year 1 (if projects funded)
- ✗ Underutilised assets

Sharing Scenario

All parties contribute to the development of a shared facility

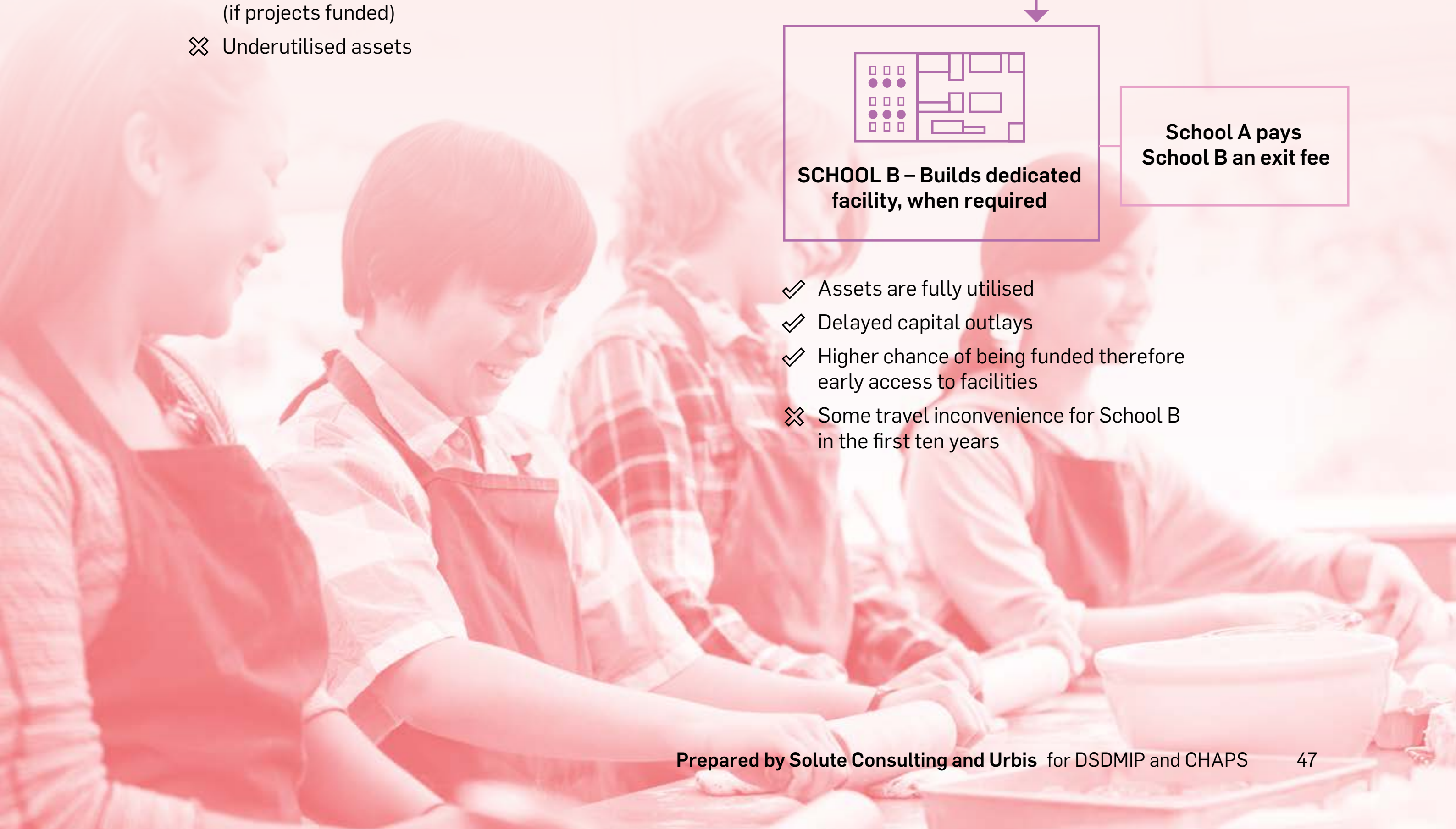
All parties use the facility on a shared basis

All assets are **OPTIMALLY UTILISED**

SCHOOL B – Builds dedicated facility, when required

School A pays School B an exit fee

- ✓ Assets are fully utilised
- ✓ Delayed capital outlays
- ✓ Higher chance of being funded therefore early access to facilities
- ✗ Some travel inconvenience for School B in the first ten years



4

Sharing Outcome

- Both parties – have reduced costs because they pay only a portion of the operating costs (for the agreed period) for the shared facility (as opposed to individually funding their own facilities from year 0.)

Key Assumptions

- The hospitality facility is shared until year 10 when Guest School B builds its own facility
- The facility is used equally by both schools
- The square metre cost of all facilities are equal
- The cost of operating one shared facility is less than the combined cost of operating two separate facilities
- The exit fee is based on the depreciated value of the build costs in year 11.

Notes: [5] This scenario could also apply to other specialist facilities such as science and trade training.

SUMMARY ANALYSIS

	SCHOOL A – HOST		SCHOOL B – GUEST	
	Non-shared Facility	Shared facility	Non-shared Facility	Shared facility
COSTS – NPC (discount rate 3.1%)	**$m**	**$m**	**$m**	**$m**
Project Costs	0.59	0.36	0.59	0.81
Operating Costs (20 years)	0.33	0.26	0.33	0.26
Revenue	-	-	-	-
Exit Payment Paid / (Received)	-	0.16	-	(0.16)
Fees Paid / (Received)	-	-	-	-
NPC (20 years)	**0.92**	**0.78**	**0.92**	**0.90**
SHARING BENEFIT (% BENEFIT OVER NOT SHARING)		15.4%		1.6%

Non-Sharing Scenario Assumptions

The table below details the assumptions utilised within the non-sharing scenario.
(All estimates exclude inflation.)

	SCHOOL A	SCHOOL B
CONSTRUCTION COSTS	**Year 0 Build**	**Year 0 Build**
Build	130m² kitchen @ $3270 per sqm	130m² kitchen @ $3270 per sqm
Ancillary space	20m² @ $1000 per sqm	20m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	200m² @ $400 per sqm	200m² @$400 per sqm
ONGOING COST/REVENUE	**Year 1–20**	**Year 1–20**
Revenue from external parties	$nil	$nil
Maintenance	1% of build cost	1% of build cost
Cleaning	5 days at 1.0 hours for 42 weeks at $35 per hour	5 days at 1.0 hours for 42 weeks at $35 per hour
Electricity	42 weeks at $40 per week and 10 weeks at $20 per week	42 weeks at $40 per week and 10 weeks at $20 per week
Water	42 weeks at $30 per week	42 weeks at $30 per week
Insurance	0.5% of build cost	0.5% of build cost
Upgrades	$nil	$nil

Sharing Scenario Assumptions

The table below details the assumptions used within the sharing assessment.
(All estimates exclude inflation.)

	SCHOOL A	SCHOOL B
USAGE	**50%**	**50%**
CONSTRUCTION COSTS	**Year 0 Build**	**Year 10 Build**
Build	130m² kitchen @ $3270 per sqm	130m² kitchen @ $3270 per sqm
Ancillary space	20m² @ $1000 per sqm	20m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	200m² @ $400 per sqm	200m² @ $400 per sqm
Establishment Fee	$25k	$25k
Exit Fee	Paid to School B based on 50% of depreciated value of build cost	Received from School A based on 50% of depreciated value of build cost
ONGOING COST/ REVENUE	**Year 1 to 10**	**Year 1 to 10**
Revenue from External Parties	$nil	$nil
Fee for service	$nil	$nil
Operating Expenses	50% of the non-sharing scenario plus 15 mins of extra daily cleaning per school day and $5 per week for water	50% of the non-sharing scenario plus 15 minutes of extra daily cleaning per school day and $5 per week for water
ONGOING COST/ REVENUE	**Year 11 to 20**	**Year 11 to 20**
Fee for service	$nil	$nil
Operating Expenses	Same as the non-sharing scenario	Same as the non-sharing scenario
Upgrades	$nil	$nil

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Sensitivity Analysis

All scenarios assume no change to the non-sharing scenario.

	SCHOOL A	SCHOOL B
CONSTRUCTION COSTS	**Host NPC / Benefit (20 years) $m**	**Guest NPC / Benefit (20 years) $m**
Non-shared facilities – NPC	0.92	0.92
Shared facility (50%/50% utilisation) – NPC	0.78	0.90
Sharing benefit (% benefit over not sharing) [1]	**15.4%**	**1.6%**
SENSITIVITY ANALYSIS		
Shared project costs (including land) increase by 20%		
Revised shared facility NPC	0.83	0.92
Revised sharing benefit	**2.8%**	**-1.5%**
Shared operating costs increase by 20%		
Revised shared facility NPC	0.83	0.94
Revised sharing benefit	**9.8%**	**-0.5%**
Timing – School B pulls out of the arrangement in Year 5 and builds their own facility – exit fee based on depreciated value of build costs (as per original sharing scenario)		
Revised shared facility NPC	0.86	0.92
Revised sharing benefit [2]	**6.0%**	**-0.2%**
School A utilisation is 20% higher (60%/40% utilisation)		
Revised shared facility NPC	0.88	0.86
Revised sharing benefit	**3.8%**	**6.2%**
School B utilisation is 20% higher (School A 40%/School B 60%)		
Revised shared facility NPC	0.67	0.95
Revised sharing benefit	**27.1%**	**-3.1%**

Notes: [1] All parties achieve a benefit through reduced operating costs during the 10 year shared period. School A receives a greater benefit as it receives upfront cash from School B to fund the development. The exit fee later paid to School B (to exit the shared facility and use in the development of its new dedicated facility in Year 10) is at a discounted amount to reflect wear and tear on the original property. As the sharing benefit is minor (under these assumptions), the financial benefit to School B is sensitive to an increase in operating or project costs or in School B's utilisation

[2] In this scenario School A and B only share costs for 5 years, not 10. Therefore, they both incur increased operating costs for years 6 to 10. The project costs of School B are also brought forward from Year 10 to Year 5.

SUMMARY ASSESSMENT

This sharing scenario demonstrates building a fit for purpose sharing facility for medium term use can provide:

Reduced costs

Both schools are paying reduced establishment costs. The overall operating costs are lower.

Earlier access to specialist facilities

Applicable where funding is constrained in the medium term.

Improved land use efficiency

School B improves its land utilisation by delaying the construction of their facility.

Opportunities for broader curriculum offerings

Applicable where funding is constrained in the medium term provides greater opportunity for specialist facilities and coaching.

Increased engagement with the broader community

Potential for community use of the facility out of school hours.

Making it Work

The benefits will only be achieved if:

- The minimum commercial and practical requirements for sharing arrangements (as described in Section 2) have been met
- The building is designed to cater for both the school's needs now and in the future
- The facility is located for easy access for School B
- School usage timetables are agreed and followed
- Given the 20 year timeframe requirements for investment using non-government education sector capital funding, the Host school is likely to be a Non-Government school.

Additional Opportunities

Additional opportunities under this scenario include:

- The ability for the second school to build a complementary rather than duplicate facility (i.e bakery or commercial grade kitchen) and continue the sharing arrangement beyond the medium term. This option may require planning for both school's longer terms needs at the beginning of the agreement
- Additional revenue may be possible with weekend and night access for community use or an additional VET curriculum offering.

This scenario could also apply to other specialist education facilities such as science and trade training.

5 PERFORMING ARTS COMPLEX – LONG TERM SHARING

PROJECT NEED

- Council and two closely located schools all have needs for small performing arts facilities, at various times throughout the year
- Both schools are located in the town centre, therefore a combined town centre solution could also complement other Council cultural facilities
- An opportunity exists to combine the needs and provide a larger and better equipped, shared facility at an equal cost
- All users plan to continue to use the facility on an ongoing basis
- There are no existing suitable facilities in the local area

Non-Sharing Scenario

- Each school builds their own 400m² facilities that would be unlikely to accommodate the whole school
- The council provides a single larger professional standard performing arts facility where hire cost may prevent schools and community groups making use of the facility on a regular basis. (1200m² facility).

Sharing Scenario

Joint development on Council land.

- All parties: All parties agree to jointly fund the construction of a 1400m² facility\on Council land. The Council uses the hall 66% of the time and the schools share the remaining use. This equates to the schools using the hall during school hours with the remaining time for Council use. These hours can be flexible (e.g. Council day time use traded for school night time use etc.) Upgrades and maintenance costs are shared on a usage % basis
- Council: Operates
  (or engages a 3rd party operator)
- Agreement Type:
  Joint Development
- Operating Model: Joint Venture
- Usage:
  - Council 66%
  - School A 17%
  - School B 17%

Non-Sharing Scenario

COUNCIL – Builds 1,200m² performing arts facility

SCHOOL A – Builds 400m² performing arts facility

SCHOOL B – Builds 400m² performing arts facility

All assets are **UNDERUTILISED**

Sharing Scenario

All parties contribute to the development of 1,400m² shared facility

All parties use the facility on a shared basis

All assets are **OPTIMALLY UTILISED**

- ✓ Assets are fully utilised
- ✓ Reduced capital and operating costs
- ✓ All parties have access to a better (larger) facility
- ✗ Some travel inconvenience for the schools

5

Sharing Outcome

- All Parties – incur reduced project costs (depending on usage) because they only fund a portion of the project operating costs of one shared facility as compared to incurring all the costs of three individually built facilities.

Key Assumptions

- The facilities are developed in year 0 for the non-sharing and the shared facility scenarios
- The facility is used by the schools during the day and Council after school hours and on weekends
- The square metre cost of all facilities are equal
- The cost of operating one shared facility is less than the combined cost of operating three separate facilities.

SUMMARY ANALYSIS

	COUNCIL – HOST – 66%		SCHOOL A OR B – 17%	
	Non-shared Facility	Shared facility	Non-shared Facility	Shared facility
COSTS – NPC (discount rate 3.1%)	**$m**	**$m**	**$m**	**$m**
Project Costs	4.28	3.34	1.42	0.86
Operating Costs (20 years)	5.15	3.52	0.52	0.91
Revenue	-	-	-	-
Exit Payment Paid / (Received)	-	-	-	-
Fees Paid / (Received)	-	-	-	-
NPC (20 years)	**9.43**	**6.86**	**1.94**	**1.77**
SHARING BENEFIT (% BENEFIT OVER NOT SHARING)		27.3%		9.1%

Non-Sharing Scenario Assumptions

The table below details the assumptions utilised within the non-sharing scenario.
(All estimates exclude inflation.)

	COUNCIL	SCHOOL A OR B
CONSTRUCTION COSTS	**Year 0 Build**	**Year 0 Build**
Build	1200m² performance halls @ $2525 per sqm	400m² performance halls @ $2525 per sqm
Ancillary space	200m² @ $1000 per sqm	60m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	1500m² @ $400 per sqm	500m² @ $400 per sqm
ONGOING COST/REVENUE	**Year 1–20**	**Year 1–20**
Revenue from External Parties	$nil	$nil
Maintenance	1% of build cost	1% of build cost
Cleaning	7 days at 2.0 hours for 52 weeks at $35 per hour	5 days at 1.0 hours for 42 weeks at $35 per hour
Electricity	52 weeks at $70 per week	42 weeks at $50 per week and 10 weeks at $20 per week
Water	52 weeks at $30 per week	42 weeks at $30 per week
Dedicated staff	2 full time A06 staff	n//a run by teaching staff
Insurance	0.5% of build cost	0.5% of build cost
Upgrades	$nil	$nil

Sharing Scenario Assumptions

The table below details the assumptions used within the sharing assessment.
(All estimates exclude inflation.)

USAGE	
Council 66% | School A 17% | School B 17% Schools are expected to use the large facility during school hours for 42 weeks of the year. Council will use it after hours, on weekends and school holidays. (for modelling purposes Council/ Schools - 66%/17%/17%). All costs are split on this basis.	
CONSTRUCTION COSTS	**Year 0 Build**
Build	1400m² performance hall @ $2525 per sqm
Ancillary space	200m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost
Furniture/Equipment	5% of build cost
Land	1800m² @ $400 per sqm
Establishment fees	$70k
EXIT PAYMENTS	
Exit fee	$nil
ONGOING COST/ REVENUE	**Year 1–20**
Revenue from External Parties	$nil
Fee for service	$nil
Maintenance	1% of build cost
Cleaning	7 days at 2.0 hours for 52 weeks at $35 per hour
Electricity	52 weeks at $90 per week
Water	52 weeks at $50 per week
Dedicated staff	2 full time A06 staff
Insurance	0.5% of build cost
Upgrades	$nil

5

Sensitivity Analysis

All scenarios assume no change to the non-sharing scenario.

	COUNCIL	SCHOOL A OR B
CONSTRUCTION COSTS	**Host NPC / Benefit (20 years) $m**	**Guest NPC / Benefit (20 years) $m**
Non-shared facilities – NPC	9.43	1.94
Shared facility (66%/17%/17% utilisation) – NPC	6.86	1.77
Sharing benefit (% benefit over not sharing) [1]	**27.3%**	**9.1%**
SENSITIVITY ANALYSIS		
Shared project costs (including land) increase by 20%		
Revised shared facility NPC	7.67	1.98
Revised sharing benefit	**18.7%**	**-1.7%**
Shared operating costs increase by 20%		
Revised shared facility NPC	7.56	1.95
Revised sharing benefit	**19.8%**	**-0.3%**
Timing – Schools pull out of arrangement in year 5 and build their own facilities. For modelling purposes the assumption is that council pays an exit fee equal to the depreciated value of the school's contributed building costs and the appreciated value of the school's contribution to land		
Revised shared facility NPC	9.54	2.16
Revised sharing benefit [2]	**-1.1%**	**-11.1%**
Council utilisation is 20% higher (74%/13%/13% utilisation)		
Revised shared facility NPC	7.73	1.33
Revised sharing benefit	**18.0%**	**31.6%**
School utilisation is 20% higher (56%/22%/22% utilisation)		
Revised shared facility NPC	5.86	2.27
Revised sharing benefit	**37.9%**	**-16.6%**

Notes: [1] All parties achieve a benefit through reduced project and operating costs as a result of sharing the performing arts complex. Council receives a greater benefit because the shared facility (1,400m²) is only marginally bigger than their dedicated facility (1,200m²) yet they are only required to fund 66% of its construction and operation. As the benefit to School A and B is less than the Council benefit, they are more sensitive to changes in costs or utilisation

[2] In this scenario, Council must take responsibility for funding the entire 1,400 m² facility on its own. The Schools must build their own dedicated facilities as they are no longer party to the sharing arrangement. This results in three costly, underutilised facilities instead of one shared facility.

SUMMARY ASSESSMENT

This sharing scenario demonstrates building a fit for purpose sharing facility for long term use can provide:

Reduced costs

Both the council and the schools have reduced establishment costs. The overall operating costs are lower however the schools are paying more due to the improved nature of the facilities.

Earlier access to specialist facilities

Both parties have access to an improved facility being a 1,400m² performing arts complex as opposed to a smaller 1,200m² facility for council or a 400m² facility for the schools.

Improved land use efficiency

Only one facility is constructed. Schools do not have to use existing green space to build a performance hall.

Opportunities for broader curriculum offerings

As the facility is larger the curriculum offerings are increased and the whole school is able to be accommodated for events.

Increased engagement with the broader community

A larger facility will allow for larger productions for the community.

Making it Work

The benefits will only be achieved if:

- The minimum commercial and practical requirements for sharing arrangements (as described in Section 2) have been met
- Sufficient suitable land is available for use and is accessible to both the community and the schools
- School and council usage timetables are agreed and followed
- The performing arts complex is not "over designed" to fit council needs so that it is too expensive for the schools to contribute an appropriate amount based on their usage
- Both schools have access to an alternative space for teaching performing arts curriculum within their school grounds (e.g a classroom with a wooden sprung floor).

Additional Opportunities

Additional opportunities under this scenario include:

- Schools may be able to increase ticket sales for school productions by advertising and performing in a professional facility known to the wider community.

This scenario could equally apply to libraries, innovation centres or trade training facilities where community and school use is closely located.

6 RESOURCE CENTRE – MEDIUM TERM SHARING

PROJECT NEED

- A school and a council have a need for basic Resource Centre / Library in a new suburb while the community is establishing
- If constructed individually both facilities would be underutilised for the first three years
- The council wouldn't normally build the facility until the population reaches a minimum threshold,

Non-Sharing Scenario

- Both parties build their own facilities.
- The council facility is 300m² (built in year 3). The school facility is 300m² and built in year 0.

Sharing Scenario

Host school development on school owned land then new development (as required) on council land.

- Both parties:The school funds the construction of a facility (300m² library) on school land. For the first six years the school and the council will share the library. Operating costs are shared on a usage % basis.
- Council: use the school facility to provide a basic service (three hours per day after school hours and weekends from 9 to 5) for 6 years. The shared facility allows council to delay development of a dedicated facility until year 6 (based on community demand).
- Agreement Type: Joint Development (no exit fee)
- Operating Model: Joint Venture
- Usage:
  - School 57%
  - Council 43%

Non-Sharing Scenario

SCHOOL A –
Builds a 300m² dedicated facility

Asset is
UNDERUTILISED

Council builds a 300m² public library when required (year 3)

- ✓ Delayed capital outlay
- ✗ Delayed access to library facilities for general public

Sharing Scenario

SCHOOL A –
Builds a 300m² facility

Council shares the operating cost of the facility based on its after hours usage

All assets are
OPTIMALLY UTILISED

Council builds dedicated 300m² library when required (year 7)

- ✓ Assets are fully utilised
- ✓ Delayed capital outlays
- ✓ Early access to facilities for general public
- ✓ Delays capital outlay further than base case
- ✗ Cost to council to provide service in early years

6

Sharing Outcome

- Host School – benefits from reduced operating costs because council contribute to the cost of operating the shared library for six years.
- Council – benefits from reduced operating costs because it only pays a portion of expenditure for six years instead of operating a full library from year 4.

Key Assumptions

- Council can delay development of a new facility for six years (built year 6 instead of year 3 in the non-sharing scenario)
- The shared facility can meet the demand of the school and the council
- The square metre cost of all facilities are equal.
- The cost of operating one shared facility is less than the combined cost of operating two separate facilities
- The facility is used by the school during the day and by council (to provide a basic service) for three hours each day after school hours and on weekends.

SUMMARY ANALYSIS

	SCHOOL A – HOST		COUNCIL – GUEST	
	Non-shared Facility	Shared facility	Non-shared Facility	Shared facility
COSTS – NPC (discount rate 3.1%)	**$m**	**$m**	**$m**	**$m**
Project Costs	0.88	0.90	0.85	0.85
Operating Costs (20 years)	2.95	2.80	4.40	4.16
Revenue	-	-	-	-
Exit Payment Paid / (Received)	-	-	-	-
Fees Paid / (Received)	-	-	-	-
NPC (20 years)	**3.83**	**3.70**	**5.25**	**5.01**
SHARING BENEFIT (% BENEFIT OVER NOT SHARING)		3.6%		4.6.%

Non-Sharing Scenario Assumptions

The table below details the assumptions utilised within the non-sharing scenario. (All estimates exclude inflation.) The school library is used 8am to 3pm on school days. The council library is open 8 am to 6pm on weekdays and 9am to 5pm on weekends.

	SCHOOL A	COUNCIL
CONSTRUCTION COSTS	**Year 0 Build**	**Year 0 Build**
Build	300m² library @ $2000 per sqm	300m² library @ $2000 per sqm
Ancillary space	30m² @ $1000 per sqm	30m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	400m² @ $400 per sqm	400m² @$400 per sqm
ONGOING COST/REVENUE	**Year 1–20**	**Year 1–20**
Revenue from External Parties	$nil	$nil
Maintenance	1% of build cost	1% of build cost
Cleaning	5 days at 1.5 hours for 42 weeks at $35 per hour	7 days at 1.5 hours for 52 weeks at $35 per hour
Electricity	42 weeks at $30 per week and 10 weeks at $20 per week	52 weeks at $40 per week
Water	42 weeks at $20 per week	52 weeks at $20 per week
Insurance	0.5% of build cost	0.5% of build cost
Books	$50k	$50k
Dedicated staff	1 A06 staff member	A06 staff member for 10 hrs per week day and 8 hrs per weekend day
Upgrades	$nil	$nil

Sharing Scenario Assumptions

The table below details the assumptions used within the sharing assessment. (All estimates exclude inflation.)

	SCHOOL A	COUNCIL
USAGE	**57%**	**43%**
School uses the library 8am to 3pm for 42 weeks 5 days per week. Council uses the facility from 3pm to 6pm weekdays and weekends for 8 hours		
	Year 0 Build	**Year 6 Build**
Build	300m² library @ $2000 per sqm	300m² library @ $2000 per sqm
Ancillary space	30m² @ $1000 per sqm	30m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	400m² @ $400 per sqm	400m² @ $400 per sqm
Establishment Fee	$57% of $50k	43% of $50k paid in Year 0
Exit Fee	$nil	$nil
ONGOING COST/ REVENUE	**Year 1– 6**	**Year 1–6**
Revenue from External Parties	$nil	
Fee for service	$nil	
Operating Expenses	Same as the non-sharing scenario plus 2hr A06 staff member per week	
Maintenance	1% of build cost	
Cleaning	7 days at 1.5 hours for 52 weeks at $35 per hour	
Electricity	52 weeks at $40 per week	
Water	52 weeks at $20 per week	
Insurance	0.5% of build cost	
Books	$50k	
Dedicated staff	1 A06 staff member for 10 hours per day for 42 weeks, 3 hours per day on weekends, 3 hours per weekday for 10 weeks	
ONGOING COST/ REVENUE	**Year 7–20**	**Year 7– 20**
Fee for service	$nil	$nil
Operating Expenses	Same as the non-sharing scenario	Same as the non-sharing scenario
Upgrades	$nil	$nil

6

Sensitivity Analysis

All scenarios assume no change to the non-sharing scenario.

CONSTRUCTION COSTS	SCHOOL A Host NPC / Benefit (20 years) $m	COUNCIL Guest NPC / Benefit (20 years) $m
Non-shared facilities – NPC	3.83	5.25
Shared facility (57% / 43% utilisation) – NPC	3.70	5.01
Sharing benefit (% benefit over not sharing) [1]	**3.6%**	**4.6%**
SENSITIVITY ANALYSIS		
Shared project costs (including land) increase by 20%		
Revised shared facility NPC	3.88	5.02
Revised sharing benefit[2]	**-1.3%**	**4.4%**
Shared operating costs increase by 20%		
Revised shared facility NPC	3.85	5.12
Revised sharing benefit [3]	**-0.4%**	**2.4%**
Timing – Council builds a facility in year 3 – not in year 6 (nil exit fee)		
Revised shared facility NPC	3.77	5.56
Revised sharing benefit [4]	**1.6%**	**-5.9%**
School A utilisation is 20% higher (67%/33% utilisation)		
Revised shared facility NPC	4.06	4.89
Revised sharing benefit	**2.2%**	**6.9%**
Council utilisation is 20% higher (47%/53% utilisation)		
Revised shared facility NPC	3.33	5.13
Revised sharing benefit	**5.3%**	**2.3%**

Notes: [1] School A benefits by sharing the operating expenditure with the Council for the first 6 years. Council benefit because the project expenditure is delayed from year 3 to year 6

[2] School A is more sensitive to changes in shared facility project costs because project costs are borne by the School.

[3] School A is fully responsible for shared operating costs for years 7 to 20 (after Council moves out and builds its own facility). As a result, it is also more sensitive to changes in shared operating expenses

[4] The project costs of Council are brought forward from year 3 to year 6. It costs more than the non-sharing scenario (where the project also occurs in year 3) because Council have already contributed to three years of shared operating expenses to provide a service. In the non-sharing scenario, there is no service provided until year 3.

SUMMARY ASSESSMENT

This sharing scenario demonstrates building a fit for purpose sharing facility for medium term use can provide:

Reduced costs

Both the council and the school have reduced establishment costs. The overall operating costs are lower for both council and the school

Earlier or improved access to specialist facilities

Council (and the community) have earlier access to a library

Improved land use efficiency

The second facility is only constructed when it is required (through maximising the utilisation of the shared facility in the early years)

Increased engagement with the broader community

The library can be used by the community earlier than under the non-sharing scenario

Making it Work

The benefits will only be achieved if:

- The minimum commercial and practical requirements for sharing arrangements (as described in Section 2) have been met
- The building is accessible to the community whilst preserving the separation of students and the general community
- School and council usage timetables are agreed and followed
- Corporate level support is obtained for the agreement.

Additional Opportunities

Additional opportunities under this scenario include:

- The ability for council to build a complementary rather than duplicate facility (e.g. more meeting rooms) and continue the sharing arrangement beyond the medium term.
- The facility to be designed in a way to support some community use during school hours (e.g. use of flexible room dividers.)

This scenario could also apply to other specialist education facilities such as science and trade training where separate entrances can be developed for community versus school use.

7 ENTERPRISE HUB – LONG TERM SHARING

PROJECT NEED

- A school and a council have a need for an advanced Information Technology Centre / Enterprise Hub
- Both parties have an ongoing need for the facilities
- The opportunity exists to combine the needs and provide a multipurpose flexible facility that could accommodate a range of functions depending on community needs, including a library and partnerships with local enterprises and training and university providers. The facility could include specialist equipment such a robotics, 3D printers and creative media suites for school, community and local business use

Non-Sharing Scenario

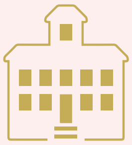
- Both parties build their own simple 600m² facilities (e.g. library with some flexible meeting spaces for community use or teaching spaces)

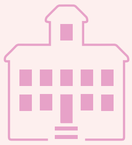
Sharing Scenario

Joint development on school or council land.

- Both parties: Both parties agree to jointly fund the construction of a 900m² advanced applied technologies facility on jointly purchased land. Usage is shared based on a minimum fixed schedule. Upgrades and maintenance costs are shared on a usage % basis. Both parties jointly operate and maintain the facility
- Agreement Type:
  Joint Development
- Operating Model: Joint Venture
- Usage:
  – Council 55%
  – School 45%

Non-Sharing Scenario





COUNCIL – Builds a dedicated 600m² library and flexible meeting spaces	SCHOOL – Builds a dedicated 600m² library and flexible meeting spaces

All assets are **UNDERUTILISED**

- ✓ Onsite convenience (if project is funded)
- ✓ Reduced project costs
- ✗ Both assets are underutilised

Sharing Scenario

All parties contribute to the development of a 900m² shared information technology/ enterprise hub	All parties use the facility on a shared basis

All assets are **OPTIMALLY UTILISED**

- ✓ Assets are fully utilised
- ✓ Reduced operating costs
- ✓ All parties have access to a better (larger) facility
- ✗ Project costs are higher
- ✗ Some travel inconvenience for the schools

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Sharing Outcome

- All Parties – incur increased project costs because the new facility is a significant improvement on the non-sharing scenario. However, this is offset by the reduced operating costs of operating one shared facility versus two separate facilities under the non-sharing scenario.

Key Assumptions

- The facilities are developed in Year 0 for the non-sharing and the shared facility scenario
- The square metre cost to develop the applied technologies building is 62% higher than the square metre rate used for the simple meeting spaces.
- The shared facility can meet the demand of all parties.
- The cost of operating one shared facility is less than the combined cost of operating two separate facilities.
- The facility is shared equally by the school and council during school term and used only by council during school holidays.

SUMMARY ANALYSIS

	COUNCIL – HOST – 55%		SCHOOL A OR B – 45%	
	Non-shared Facility	Shared facility	Non-shared Facility	Shared facility
COSTS – NPC (discount rate 3.1%)	**$m**	**$m**	**$m**	**$m**
Project Costs	1.74	2.16	1.74	1.74
Operating Costs (20 years)	2.55	1.75	2.37	1.41
Revenue	-	-	-	-
Exit Payment Paid / (Received)	-	-	-	-
Fees Paid / (Received)	-	-	-	-
NPC (20 years)	**4.29**	**3.91**	**4.11**	**3.16**
SHARING BENEFIT (% BENEFIT OVER NOT SHARING)		9.0%		23.1%

Non-Sharing Scenario Assumptions

The table below details the assumptions utilised within the non-sharing scenario.
(All estimates exclude inflation.)

	COUNCIL	SCHOOL A OR B
CONSTRUCTION COSTS	**Year 0 Build**	**Year 0 Build**
Build	600m² large library @ $2000 per sqm	600m² large library @ $2000 per sqm
Ancillary space	80m² @ $1000 per sqm	80m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost	10% of build cost
Furniture/Equipment	5% of build cost	5% of build cost
Land	700m² @ $400 per sqm	700m² @ $400 per sqm
ONGOING COST/REVENUE	**Year 1–20**	**Year 1–20**
Revenue from External Parties	$nil	$nil
Planned Maintenance	1% of build cost	1% of build cost
Reactive Maintenance	25% of total maintenance cost	25% of total maintenance cost
Cleaning	5 days at 1.0 hours for 52 weeks at $35 per hour	5 days at 1.0 hours for 42 weeks at $35 per hour
Electricity	52 weeks at $40 per week	42 weeks at $30 per week and 10 weeks at $20 per week
Water	52 weeks at $20 per week	42 weeks at $20 per week plus 10 weeks for $10 per week
Dedicated staff	1 full time A06 staff for 52 weeks	1 full time A06 staff member for 42 weeks
Insurance	0.5% of build cost	0.5% of build cost
Upgrades	$nil	$nil

Sharing Scenario Assumptions

The table below details the assumptions used within the sharing assessment.
(All estimates exclude inflation.)

USAGE

Council 55% | School A OR B 45%
Usage is assumed to be 50/50 use during school term and 100% use for council for 10 weeks of holidays
All costs are split on this basis.

CONSTRUCTION COSTS	**Year 0 Build**
Build	900m² technological space @ $3240 per sqm
Ancillary space	100m² @ $1000 per sqm
Additional Build Cost (headworks, earthworks)	10% of build cost
Furniture/Equipment	5% of build cost
Land	1000m² @ $400 per sqm
Establishment fees	$50k
EXIT PAYMENTS	
Exit fee	$nil
ONGOING COST/ REVENUE	**Year 1–20**
Revenue from External Parties	$nil
Fee for service	$nil
Planned Maintenance	1% of build cost
Reactive Maintenance	25% of total maintenance cost
Cleaning	5 days at 1.5 hours for 52 weeks at $35 per hour
Electricity	52 weeks at $50 per week
Water	52 weeks at $20 per week
Dedicated Staff	1 A06 staff member for 52 weeks
Insurance	0.5% of build cost
Upgrades	$nil

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Sensitivity Analysis

All scenarios assume no change to the non-sharing scenario.

	COUNCIL	SCHOOL A OR B
CONSTRUCTION COSTS	**Host NPC / Benefit (20 years) $m**	**Guest NPC / Benefit (20 years) $m**
Non-shared facilities – NPC	4.29	4.11
Shared facility (55%/45%) – NPC	3.91	3.16
Sharing benefit (% benefit over not sharing) [1]	9.0%	23.1%
SENSITIVITY ANALYSIS		
Shared project costs (including land) increase by 20%		
Revised shared facility NPC	4.44	3.59
Revised sharing benefit	-3.4%	12.7%
Shared operating costs increase by 20%		
Revised shared facility NPC	4.26	3.44
Revised sharing benefit	0.8%	16.3%
Timing – The school pulls out of arrangement in year 5 and builds their own facility – for modelling purposes council pays an exit fee equal to the depreciated value of the school's contributed building costs and the appreciated value of the school's contribution to land		
Revised shared facility NPC	6.30	4.17
Revised sharing benefit [2]	-46.7%	-1.4%
Council utilisation is 20% higher (64%/36% utilisation)		
Revised shared facility NPC	4.54	2.53
Revised sharing benefit	-5.8%	35.8%
School utilisation is 20% higher (46%/54% utilisation)		
Revised shared facility NPC	3.28	3.79
Revised sharing benefit	23.7%	7.8%

Notes: [1] All parties achieve a benefit through reduced operating costs as a result of sharing the enterprise hub. The School's benefit is greater as they fund a smaller portion of the shared facility (45% versus 55% for Council)

[2] In this scenario, the School must build its own facility resulting in two underutilised facilities. Council must bear the entire operating and project cost of the larger more expensive facility.

SUMMARY ASSESSMENT

This sharing scenario demonstrates building a fit for purpose sharing facility for long term use can provide:

Reduced costs

The overall operating costs is lower for both parties as staff and facilities are shared however project costs are higher because it is an improved facility (a technology hub versus a library).

Earlier or improved access to specialist facilities

Both parties have access to an improved facility being an applied technologies space not just a library.

Improved land use efficiency

Only one facility is constructed.

Opportunities for broader curriculum offerings

As the facility has improved technology curriculum offerings are increased.

Increased engagement with the broader community

The enterprise hub and technology facility can be used by the public and the business community.

Making it Work

The benefits will only be achieved if:

- The minimum commercial and practical requirements for sharing arrangements (as described in Section 2) have been met
- The enterprise hub is not "over designed" so that it becomes too costly for the schools or councils to contribute based on their usage (meeting the diverse needs of all parties could increase costs)
- School and council usage timetables are agreed and followed
- The site is appropriately located for school and community use.

Additional Opportunities

Additional opportunities under this scenario include:

- Both parties may be able to earn additional revenue through the lease of the facilities to businesses when it is not fully utilised
- Education / Business partnerships may develop where parties become aware of the work being conducted in the shared facility
- Education / Business partnerships may facilitate employment opportunities for students.

This scenario could equally apply to other specialist facilities such as innovation centres or trade training facilities where community and school use is closely located.

5.0 CONCLUSION

KEY FINDINGS

This report identifies that facility sharing can provide significant financial and non-financial benefits, to schools and councils, particularly where:

- Asset utilisation can be improved, either through:
  - Outside of school hours usage
  - Joint usage of a high cost / low use facilities
- Land availability is a significant financial or physical constraint.

The identified benefits include:

- Financial benefits, in some cases exceeding 20%, through reduced establishment and ongoing costs
- Improved land use efficiency
- Earlier or improved access to specialist facilities
- Opportunities for broader curriculum offerings
- Increased community engagement.

However, this report also notes that all sharing arrangements have risks that need to be carefully considered and documented and that these benefits will only be achieved if the minimum commercial and practical requirements for sharing arrangements (as described in Section 2) have been met.

For further advise or assistance on potential needs and opportunities that may be suitable as shared facilities within Queensland please contact CHaPs.

Web: www.dsdmip.qld.gov.au/major-projects/community-hubs-and-partnerships.html

Email: chaps@dsd.qld.gov.au

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