

Executive Summary to the Capital Management Plan

The University Facilities Master Plan 2006 – 2016 and the Capital Management Plan (CMP) were presented to the Campus Planning and Building Committee (CPBC) on the 29th August 2005. The Master Plan and CMP were endorsed by the CPBC, who have acknowledged the extensive time and resources to deliver the Master Plan.

The revised CMP implements in a logical fashion the key elements of the master plan:

1. The CMP delivers:
 - redeveloped buildings to provide a mix of quality teaching and research accommodation,
 - new buildings that are adjustable and flexible to allow for a variety of activities that could be undertaken over a period of years.
 - improves our buildings to make the student life and learning environment attractive to existing and prospective students,
 - improves our buildings to make the working environment attractive to recruit and retain the highest quality staff,
 - increased academic teaching and research space by approximately 5,500 square metres, and increased utilisation of current space.
2. addresses student needs as a priority,
3. continues to re-energize and expand the heart of the campuses academic precinct through additional projects,
4. reduce backlog maintenance by refurbishing, replacing or disposing of under performing capital.
5. improve compliance with the Disability Discrimination Act, Occupational Health and Safety and Building regulations,
6. improve the security and emergency management capability at Hawthorn campus.

There are two alternatives available to the approval of the Master Plan and CMP, they are:

1. To not proceed with the current plans and to start the Master Plan process again, this is not feasible considering the time and resources used to bring the plan to its current form,
2. To not proceed or redevelop the Master Plan, this would leave the University without a facility master plan, with particular concern for the current state of our infrastructure.

The Resources Groups seeks the approval of the Finance Committee to fund the CMP for the amount of approximately \$87 million over the period 2006 to 2009. Primary funding sources will be a mixture of DEST Capital roll-in, International Fees and the sale of non performing assets totaling \$49 million; this leaves a funding shortfall of \$38 million which The University proposes to meet from University reserves.

The CPBC will review the CMP annually and in doing so; determine the feasibility of proceeding with individual projects of the CMP.

Briefing Paper Revised Capital Management Plan (2006 / 2009)

Purpose

To seek approval from Finance Committee of the University Facilities Master Plan (2006 – 2016) and the Capital Management Plan (2006 – 2009) (CMP).

Background

The Resources Group has for the last two years focused on the development of a University Facilities Master Plan. In August 2005 the completed Master Plan (2006 – 2016) accompanied by the CMP was presented to the Campus Planning and Building Committee (CPBC). The CMP is the financial summary of the key projects that the Resource Group will deliver from the Master Plan.

The Master Plan is presented as a detailed blueprint to improve the quality and amenity of the University's building stock and grounds. It provides for improved planning and utilization of existing facilities and development of new facilities. Poor quality facilities with low utilization and high backlog maintenance liabilities are to be replaced.

The condition of the University's infrastructure was detailed in a Building Condition Audit completed in 2004. The key findings were that The University must begin to reinvest in its capital infrastructure, to bring it up to a standard suitable for occupation in a competitive environment. The Master Plan addresses the audits findings.

Backlog & Cyclical Maintenance

Backlog & Cyclical Maintenance has been one of the key drivers for the refurbishment of our infrastructure. The definitions are:

Category	Definition
Backlog Maintenance	Maintenance that is necessary to prevent the deterioration of the asset or its function but which has not been carried out.
Cyclical Maintenance	The actions performed to retain an item or asset in its original condition as far as practicable by providing systematic inspection, detection, and prevention of incipient failure. Could also include the capital replacement of plant and equipment where useful life has ended.

The physical condition of buildings, plant and equipment was assessed in November 2003 through a Building Condition Audit. The Audit found the following:

Table One: Estimated 2004 to 2006 Cyclical & Backlog Maintenance Costs		
Campuses	Cyclical Maintenance (\$ 000)	Backlog Maintenance (\$ 000)
Croydon	1,800	350
Hawthorn	15,000	1,650
Healesville	40	0
Lilydale	1,140	1,000
Prahran	4,050	412
Wantirna	2,025	26
Total	24,055	3,438

The completion of the CMP 2004/6 and CMP 2006/9 is expected to reduce the Backlog & Cyclical Maintenance reported in the audit. The following projects have been identified as projects which would reduce the backlog and cyclical costs reported at the Hawthorn campus:

Table Two: Hawthorn Campus Cyclical & Backlog Maintenance reductions as a result of the CMP 2004/ 6 and CMP 2006/9:		
Projects	Cyclical Maintenance (\$ 000)	Backlog Maintenance (\$ 000)
BA Building refurbishment	2,554	280
EN Building refurbishment	3,474	72
24 George Street Refurbishment	77	40
LB Building refurbishment	618	88
BS Building Sell	86	8
IRIS Sell	112	6
420 Burwood Rd Sell	63	10
477b Burwood Rd Demolition	67	8
AD Building Refurb / Demolition	435	53
SA Building Demolition	36	10
SH Building Demolition	7	24
SE Building Demolition	590	398
Total	8,386	1,018

Note: That Table One totals for Hawthorn would be reduced by the Table Two totals as projects are completed.

Capital Management Plan 2006 / 2009

The University's Capital Management Plan has in previous years been presented as a triennially funded plan. The proposed Capital Management Plan is presented as a four year plan. This will ensure that any long term commitments relating to projects in earlier years are captured. Additionally, the Capital Management Plan is reviewed annually.

The primary funding sources comprise of: DEST Capital roll-in, International Fees, and sale of redundant assets. In addition the University applies for State and Federal Government funding on a project by project basis.

In recent years the thrust of the Capital Management Plan has been to progressively fund the refurbishment of the two main teaching buildings on the University's Hawthorn campus, that is, buildings BA and EN, to reduce back log and cyclical maintenance and to pursue innovative capital development strategies.

Principles

Three underlying principles have informed the revised plan, namely:

- 1st Priority: Rapidly improve the quality, and functionality of our facilities for students
- 2nd Priority: Rapidly improve the quality and effectiveness of academic space
- 3rd Priority: Address through the refurbishment or the replacement of capital assets the increasing backlog maintenance costs.

Rationale for Capital Works

The planning process determines through efficiency, what measures to take, by firstly assessing the ability to refurbish capital assets and if not feasible, assess the replacement opportunities and costs. The criteria are identified as follows:

1. Refurbishment

The criteria used in determining priorities for refurbishment include:

- occupational health and safety requirements,
- disabled access,
- age of building, historic value, excessive maintenance costs,
- changing departmental and campus requirements,
- changes in building occupants,
- suitability of building for refurbishment,
- excessive energy consumption,
- potential for improved space utilisation.

2. Replacement

The criteria for determining whether buildings should be replaced rather than refurbished are:

- built of very lightweight materials such as fibro-cement, wood and/or iron,
- single storey,
- no historical value,
- occupies a prime building site suitable for a multistorey development,
- no longer economic to maintain.

Recommendation

That Finance Committee approves the following:

- 1) The University Facilities Master Plan, and in doing so approves the Capital Management Plan 2006 - 2009,
- 2) The sale of redundant / non performing assets.

The proposed CMP summary is attached, it should be noted that the previous CMP (2004 - 2006) was approved recognizing a draw down on University reserves after 2006 of approx \$9.3m, reduced by a contribution from HED of \$4.076 million repayable over nine years beginning 2004.

The CMP (2006 – 2009) increases the expected draw down on University reserves further by approximately \$53 million. The sale of non performing assets would reduce this to approximately \$38 million over the period.

Attachment 1 - Capital Management Plan Summary

SECTION A : PROPOSED CMP PROJECTS FOR PERIOD 2006 to 2009.

Project Number	Project Description	Master Plan Ref #	Period of Works	Total CMP Funding Required				
				2006	2007	2008	2009	
A1	BA Levels ^a , 10, 11, 12		Oct '05 - Feb '06	\$ 3,960,000	\$ 3,960,000			
A2	NICA - (Property Settlement)		2005 - 2006	\$ 550,000	\$ 550,000			
A3	Relocation of Book Shop		2006	\$ 300,000	\$ 300,000			
A4	Decanting Budget Allowance		2006	\$ 250,000	\$ 250,000			
A5	Preliminary Estimate of Refurbishment of Vacated Space (Paint etc) - (Other Fitout Costs)		2006	\$ 2,163,700	\$ 2,163,700			
A6	EN Level 1and 1a fit out works - not in current CMP	H13a	2006	\$ 1,300,000	\$ 1,300,000			
A7	BA Levels 2,3 and 6 (part) fit out - not in current CMP	H13b	2006	\$ 600,000	\$ 600,000			
A8	Refurbish Bldg LB Library Hawthorn	H1	2006	\$ 3,700,000	\$ 3,700,000			
A9	L6 Chancellery	H13d	2006	\$ 550,000	\$ 550,000			
A10	Relocate Press and associated staff to Croydon Campus	C3	2006	\$ 500,000	\$ 500,000			
A11	Relocate Records staff	C3	2006	\$ 400,000	\$ 400,000			
A12	Refurbish EW - all levels	H10	2006	\$ 1,000,000	\$ 1,000,000			
A13	Refurbish isolated areas of AS building	H13c	2007	\$ 400,000		\$ 400,000		
A14	Refurbish ground floor AR, new façade and toilet amenities	H5	2007	\$ 1,000,000		\$ 1,000,000		
A15	Façade improvement works - Building EN	H5	2007	\$ 1,500,000		\$ 1,500,000		
A16	Façade improvement works - Building LB	H5	2007	\$ 1,500,000		\$ 1,500,000		
A17	Relocate Mail Room to 1 Alfred St	H13e	2006	\$ 120,000	\$ 120,000			
A18	Modify 24 George St to accommodate engineering equipment	H13e	2006	\$ 610,000	\$ 610,000			
A19	Relocate occupants of 16 Wakefield St to temporary accom	H13e	2006	\$ 120,000	\$ 120,000			
A20	Prepare design and documentation for Burwood Road devel.	H3	2007 / 2008	\$ 2,500,000		\$ 1,800,000	\$ 700,000	
A21	Construction Burwood Rd - requires add funds in 2009	H3	2008 / 2009	\$ 40,500,000			\$ 16,500,000	\$ 24,000,000
A22	Wakefield St closure and beautification project	H2	2006 / 2007 / 2008	\$ 2,000,000	\$ 200,000	\$ 1,200,000	\$ 600,000	
A23	Wakefield St car park (extension) - documentation and construction	H9	2007 / 2009	\$ 2,700,000		\$ 250,000		\$ 2,450,000
A24	Demolish AD rear section, refurbish front area and facades	H4	2008	\$ 1,800,000		\$ 1,800,000		
A25	Construct new single level building behind EN for ITS relocation .	H12	2006 / 2007	\$ 3,650,000	\$ 400,000	\$ 3,250,000		
A26	Refurbish/extend building PU - (OTTE) - 50% HE funding (Design)	P3	2008	\$ 200,000			\$ 200,000	
A27	PF/PG Demolition and make good - (OTTE) - 50% HE funding	P2	2007	\$ 80,000		\$ 80,000		
A28	Atrium enhancement project (Lilydale)	L4	2007	\$ 300,000		\$ 300,000		
A29	Link Building - Design/documentation phase only (50% HE) (Lilydale)	L3	2008 / 2009	\$ 5,050,000			\$ 250,000	\$ 4,800,000
OTHER Associated Costs								
A30	Security Services - Hawthorn Campus	N/A	2006	\$ 395,000	\$ 395,000			
A31	Contingency allowance (excl BA and EN project)	N/A	2006 / 2007 / 2008	\$ 1,976,500	\$ 410,000	\$ 564,000	\$ 1,002,500	
A32	Relocation costs (excl BA and EN project)	N/A	2006 / 2007 / 2008	\$ 480,000	\$ 160,000	\$ 160,000	\$ 160,000	
A33	Cost escalation - 2007(2.5%) and 2008 (5%) projects only	N/A	2007 / 2008	\$ 1,981,522		\$ 504,328	\$ 1,477,194	
A34	ITS Machine Room (50% University contribution of project required by CDP Grant)	N/A	2008	\$ 1,000,000			\$ 1,000,000	
A35	Repayments - Student Residences	N/A	Annual	\$ 1,600,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
A36	Repayments - Lilydale E-Commerce Centre	N/A	Annual	\$ 880,000	\$ 220,000	\$ 220,000	\$ 220,000	\$ 220,000
Total funds Required (Funding Period)				\$ 87,616,722	\$ 18,308,700	\$ 13,128,328	\$ 24,309,694	\$ 31,870,000

SECTION A ACCUMULATED CMP TOTALS	Notes	Cummulative Totals	2006	2007	2008	2009
Income						
Contribution from HED	See Section C: Note 1	\$ (1,812,000)	\$ (453,000)	\$ (453,000)	\$ (453,000)	\$ (453,000)
Primary Funding (DEST Capital Roll In, International Fees)		\$ (32,991,311)	\$ (8,006,000)	\$ (8,165,100)	\$ (8,327,362)	\$ (8,492,849)
Sale of Non Performing Assets	See Section B:	\$ (14,800,000)	0	0	0	(14,800,000)
Expenditure						
Total of CMP Projects		\$ 87,616,722	\$ 18,308,700	\$ 13,128,328	\$ 24,309,694	\$ 31,870,000
Total Additional Funding Required		\$ 38,013,411	\$ 9,849,700	\$ 4,510,228	\$ 15,529,332	\$ 8,124,151

SECTION B : DISPOSAL OF NON PERFORMING ASSETS

C1	39 Yarra Junction Rd (Vacant Land)	\$ 300,000
C2	400 Burwood Rd - Brains Sciences	\$ 2,200,000
C3	410 Burwood Rd - Hostel (not in use)	\$ 2,300,000
C4	420 Burwood Rd - Citadel (computer labs)	\$ 2,500,000
C5	IRIS	\$ 7,500,000
Total		\$ 14,800,000

SECTION C: ADDITIONAL INFORMATION

- Contribution from HED is the amount agreed to between HED & Finance Dept as the contribution to the 2004 / 2006 CMP previously approved. The repayment would be effective over 9 years (\$453k annually) beginning 2005.
- Projected Income Growth Rate 1.987%
- The disposal of non performing assets listed in Section C: could be used to reduce part of the deficit of this proposal.
- Project Numbers A26, A27 & A29 are shared TAFE (OTTE) & HED facilities, funding will be required from both sources at a 50% share of total cost.
- Building CH Refurbishment is proposed for 2010, a costing has not been provided, it is subject to outcome of Burwood Road Project and planning.