

BUDGET SENSITIVE

Budget Sensitive

Office of the Minister for Education
Office of the Associate Minister for Education

Chair

Cabinet State Sector Reform and Expenditure Control Committee

Education infrastructure investments - school property major redevelopments

Proposal

1. This paper seeks agreement to investment decisions for seven school property redevelopments. [REDACTED]

Executive summary

Out of scope

2. Across the Education portfolio our organising framework is based on four areas; parents, performance, the profession and the platform. Platform incorporates infrastructure support and services in the form of school land, buildings, ICT infrastructure and network services, and school transport assistance. The Associate Education Minister's delegation includes all platform provision.
3. This paper discusses and seeks your approval to commence seven redevelopment projects for schools with significant and complex issues that place them in the small but costly 'major redevelopment' category. Further 17 projects are already underway and the Associate Minister expects there to be another four redevelopment proposals that will need Cabinet consideration next year based on the recently concluded national condition assessment of state schools.
4. Since 2008 our Government has committed more than \$4.5 billion dollars to increase school capacity in areas of growth and provide students with safe, innovative, connected and inspiring learning environments around the country. This is in addition to our \$1.137 billion commitment to rebuild Christchurch schools and meet changing community needs following the earthquakes.
5. We have also changed the way school property services are delivered to help school leaders' keep their focus on teaching and learning. A dedicated Education Infrastructure Service within the Ministry of Education (the Ministry) now manages all complex property works on behalf of schools and close to 70 percent of all property projects – doubling the value of projects handled by the Ministry just two years ago.
6. The major changes to school property were outlined in the eight point plan we released in 2013. The plan recognised that we had inherited an ageing property estate severely impacted by the leaky building issue. It included a commitment of over \$300 million, to be prioritised from the Ministry's balance sheet, to help up to 30 schools resolve significant property issues over a six year timeframe.
7. We are now seeking your agreement to a further allocation of \$251.4 million to redevelop

Out of scope

[REDACTED] and Marlborough Boys' and Girls' Colleges (refer paragraphs 36-40). These are high achieving schools and key contributors to our long-term priorities for education.

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8. The scale of the proposed investment in this paper reflects the complexity of issues to be resolved. All of these schools are experiencing roll growth and face serious property issues that have the potential to undermine the quality of learning environments and long-term viability of Crown assets.

Out of scope

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Background

10. The school property estate has a replacement value of \$23.5 billion and includes around 2,100 schools with 35,000 learning spaces.
11. An estate of this scale requires a modern, effective asset management approach.
12. Each year we invest around \$400-450 million to maintain existing schools. We also provide on average an additional \$150-250 million through annual Budgets to ease demographic pressures through the establishment of new schools and classrooms.
13. Schools continue to receive annual property funding of around \$165 million to ensure their property meets Health and Safety standards, to maintain essential infrastructure and modernise their learning environments.
14. Our support is ongoing for national Ministry-run programmes that are addressing some of the most critical issues impacting the school estate. This includes major work programmes to remediate leaky buildings and assess earthquake resilience.
15. We established the Education Infrastructure Service within the Ministry in 2013 so we could take an active, continuous improvement approach to managing the property estate and dealing with issues undermining it.
16. Prior to this, the default setting for further investments were school and community expectations for refurbishment, redevelopment or replacement. Network decisions played a part, with the Ministry looking to ensure equitable access to education and preserving different schooling models where possible. Educational achievement and the quality of learning was not a specific or explicit consideration in the process.
17. To first understand the extent of the challenge, the Ministry's new Education Infrastructure Service undertook a comprehensive condition assessment of all state school buildings. An analysis of these assessments and the cost implications will be provided to Finance Ministers as part of the Budget 2016 working papers.
18. Nearly 70 percent of all school property projects are now Ministry-managed. This means works can be sequenced and aligned in ways that support education objectives and minimise disruptions to school operations. There are opportunities to bundle projects across more than one school to achieve significant economies of scale. The Ministry also bargains on behalf of 2,100 schools to procure higher quality goods and services at more competitive prices.
19. The scale of work contracted by the Ministry to progress property works, including the major redevelopments outlined in this paper, create a significant economic stimulus for New Zealand.

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20. Each year the Education Infrastructure Service releases around 1,000 tenders, each of which is valued at more than \$100,000. This accounts for more than a third of all public sector open tenders and is in addition to the major economic impetus of the 10-year, \$1.137 billion Christchurch Schools Rebuild programme.

Key issues affecting the national school estate

21. New Zealand's school property estate has a high proportion of ageing buildings reaching the end of their economic life. This situation has been exacerbated over the past 20 years by three key issues:

- 21.1. the leaky building issue that impacted all parts of the New Zealand construction sector during the 1990s
- 21.2. the need to ensure the resilience of school buildings in the wake of the Christchurch earthquakes
- 21.3. a high degree of variance in the upkeep of school property by school boards that is contributing to the deterioration of some Crown-owned assets.

22. We have invested heavily in recent years to address these problems through Ministry-run national programmes:

- 22.1. A long-term weather-tightness programme has already addressed the situation of school buildings at greatest risk of failure and the focus is now on medium-risk buildings and future-proofing. This work programme has introduced new standards for school buildings and contributed to key changes in building practices across the sector.
- 22.2. An earthquake resilience assessment (EQR) programme across the whole school estate is due for completion by the end of 2016 – this work programme has already:
 - 22.2.1. assessed high-risk buildings and, as necessary, isolated and prioritised those that need strengthening works
 - 22.2.2. commissioned pro-active investigations into the resilience of school buildings - this has reduced cost estimates for strengthening works by \$800 million and changed the New Zealand Society of Earthquake Engineering's national guidelines on seismic assessment.

The redevelopment programme

23. The eight point plan to transform school property services released in 2013 (see appendix one) ring-fenced \$300 million over six years from the Ministry of Education's balance sheet to help up to 30 schools address significant infrastructure issues. The stated funding level was based on a rough estimate of around \$10 million per school and made prior to completion of the national condition assessment information.

24. In the past two years the Ministry has allocated \$200 million from its balance sheet to redevelop 17 schools with complex property issues – all of these schools are now at various stages of design and construction.

25. We now seek agreement to the Ministry allocating a further \$251.4 million to address the situation of seven schools with the most significant property challenges

Out of scope

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26. Proposals in this paper will take the total commitment so far to \$451.6 million to redevelop 24 schools. Although costs are higher than initially estimated these projects will still be funded from the Ministry of Education's balance sheet but may require a longer timeframe.

Out of scope

27. [REDACTED]

Identifying schools for inclusion in the redevelopment programme

28. The Ministry uses a prioritisation framework to identify schools with the most complex property issues for inclusion in the redevelopment programme.

29. Schools are prioritised based on the following characteristics:

- 29.1. scale and complexity of the project (based on condition assessments of school buildings and input from the school and its property advisor)
- 29.2. level of historical spend on school property and the level of any unspent property funding
- 29.3. school capacity and projected need in the context of neighbouring schools and needs of the wider network.

30. Other considerations include:

- 30.1. capping the number of points a school can get for roll or project size to ensure smaller schools/projects are not disadvantaged
- 30.2. maintaining a fair distribution of schools by decile rating, and across the primary and secondary sectors.

31. The Ministry has developed an investment pipeline that illustrates where proposed projects sit in relation to major programmes already underway to address leaky buildings, earthquake resilience and roll growth. The pipeline highlights any specific regional needs, planned new schools and the situation of neighbouring schools in the network.

32. This approach allows the Ministry to forecast works over an extended period of time, and align and bundle projects to lift capital efficiencies. This meets Treasury's asset management requirements and Cabinet's April 2015 investment decision to use Long-Term Investment Plans to support investment decisions.

Supporting Communities of Learning

33. Communities of Learning are being formed around the country as part of our Investing in Education Success initiative. This presents opportunities to consider new and innovative approaches to education infrastructure that consider the needs of groups of schools as a way of supporting smarter investment decisions.

34. The Ministry is currently working through criteria that would support this by increasing the focus on improving property utilisation and encouraging schools to share resources to maximise the use of their resources.

35. Examples of potential criteria to support this include consideration of whether a school:

- 35.1. is part of a Community of Learning
- 35.2. is including shared facilities in its redevelopment plan
- 35.3. is collaborating with local Councils around potential community access to school facilities

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35.4. is connected to and using the Network for Learning Pond community (sharing teaching and learning innovation securely online)

35.5. is part of a facilities management contract with other schools in the network.

Proposed Redevelopments

36. We propose the Ministry allocate a further \$251.4 million from its balance sheet to accelerate property solutions for the next tranche of schools with the most challenging property issues as illustrated in table one below.

Table One: priority infrastructure issues affecting schools included in this paper

Priority school	Health & Safety		Roll growth	Outdated teaching spaces	School-specific issues	
	Seismic	Weather - tightness			Site, property or network issues	Heritage features
Out of scope	[REDACTED]					
Marlborough Boys and Girls Colleges		✓		✓	✓	

Out of scope

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37.1.

Out of scope

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37.4.

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Summary of proposed redevelopments

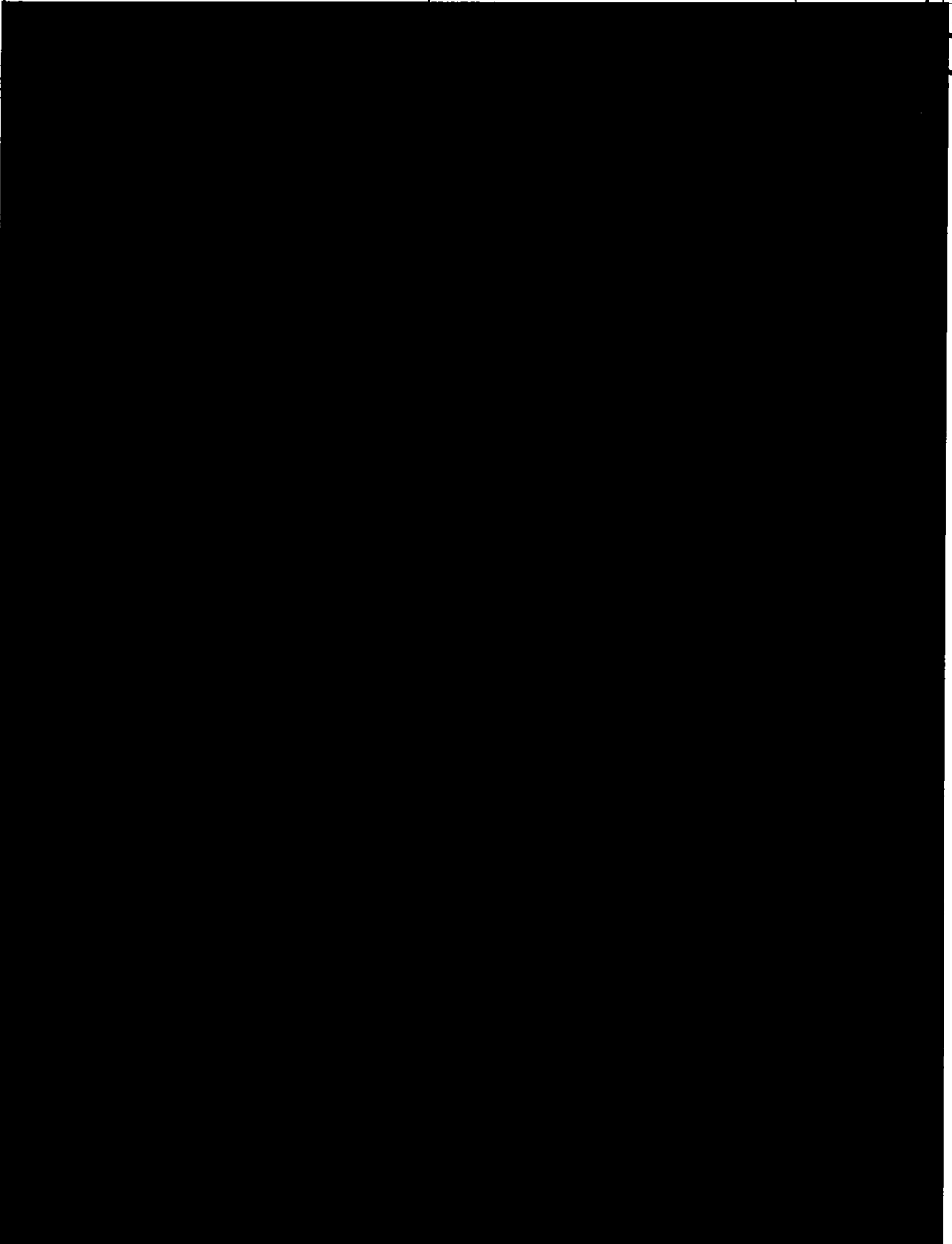
38. Schools prioritised for redevelopment present the most challenging and costly infrastructure issues for the school estate.

39. The proposed redevelopments will remove health and safety risks, lift the quality of learning environments and protect the long-term viability of Crown assets.

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40. The issues affecting these schools and the benefits that will be delivered through the proposed investment are summarised in the table below. More detail on each school, and a summary of each supporting business case, is provided in the attached appendices.

Table two: summary of school redevelopments issues and benefits

Key issues and capital cost \$m	What will be delivered	Out of scope
Out of scope		

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<p>Marlborough Boys & Girls College (\$63.2m)</p> <ul style="list-style-type: none">• These decile 7 Colleges serve a total of 1,900 students and provide the only secondary education options for Blenheim (the nearest co-educational facility is in Picton)• Existing property is affected by weather-tightness issues, aging infrastructure and general deterioration; some buildings do not meet earthquake resilience standards• The Colleges are located 2 km apart - the local tertiary institution is 2 km away from each one• The Boys' College is on land leased from iwi – the Girls' College is on Crown-owned land with iwi having the option to purchase by 2017• Both boards and the community support a network change that will enhance collaboration, share facilities and improve educational opportunities and outcomes. <p>See appendix seven for more detail</p>	<ul style="list-style-type: none">• Co-location of both Colleges on one site will enable sharing of facilities, resources and classes in support of enhanced collaboration, new educational opportunities and improved student outcomes• The redevelopment will provide upgraded facilities and innovative teaching spaces for all students• The preferred approach will future-proof the area for any unexpected population growth or decline• Closer proximity to the local tertiary provider will strengthen important connections, provide an opportunity for more secondary-tertiary programmes, and improve pathways into tertiary providers• Start date subject to site acquisition and procurement approach [REDACTED] s 9(2)(f)(iv) OIA
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Addressing the situation of other schools across the estate with property issues beyond their funding allocation

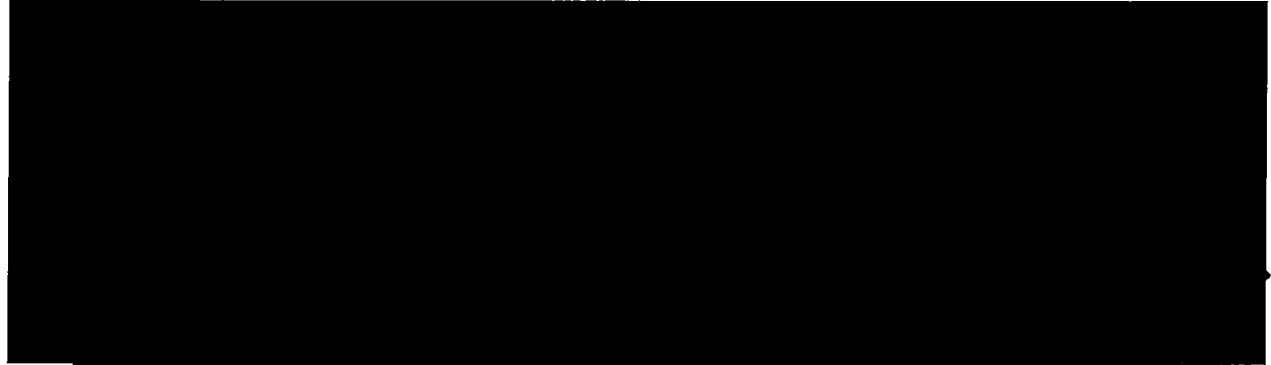
41. The national condition assessment of state schools has provided a good understanding of the property issues impacting individual schools.
42. The Ministry has prioritised for redevelopment schools that are facing multiple, complex issues through the eight point plan's initiative.
43. There are, however, other schools with property issues that cannot be addressed within allocated property funding. The Ministry acts immediately, and provides additional funding as needed, to address any situation presenting a potential health or safety risk to staff or students. Options (including costs and timeframes) for long-term solutions for these schools will be provided to Finance Ministers as part of Budget 2016.
44. Policy work is underway to develop options for Ministers' consideration that can address the variance in school maintenance that has been contributing to asset deterioration. This includes investigating opportunities to include facilities management services as part of future redevelopments, as this would ensure facilities are maintained to the required standards, protect the Crown's investment and reduce the distraction of property issues for school leaders. s 9(2)(f)(iv) OIA

45. [REDACTED]

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Out of scope

Out of scope



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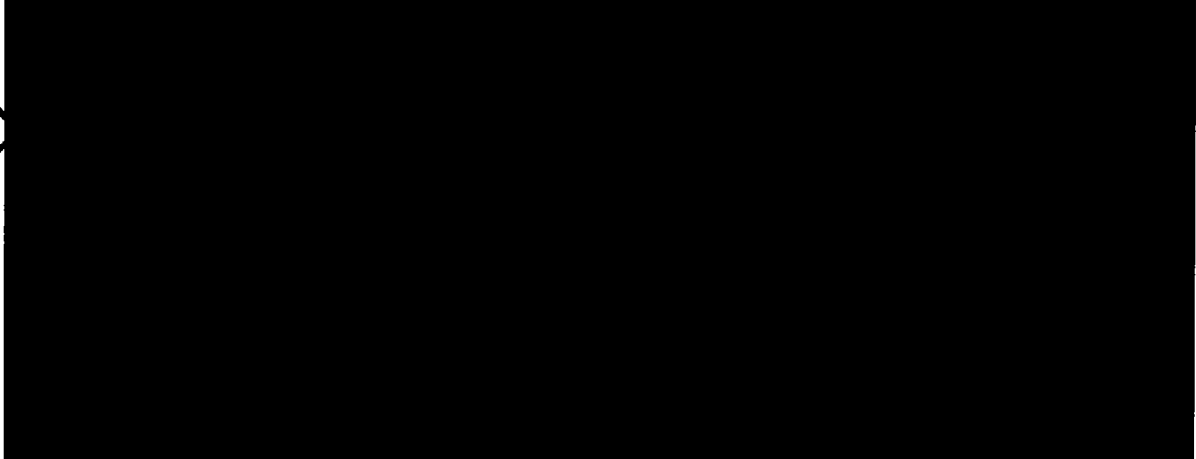
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Financial Implications

56. We propose that the Ministry allocates \$251.4 million from its balance sheet to meet the costs of the major redevelopment options recommended in this paper. With site works and other issues to be addressed, some of the construction works associated with these proposals will not commence until 2018/19.

57. Table three below illustrates the funding implications for each of the preferred options by year.

Table three: summary of capital funding for recommended options

Capital funding (\$m)	Total	15/16	16/17	17/18	18/19	19/20	20/21
Out of scope							
Marlborough Boys and Girls College	\$63.2	-	-	-	\$5.0	\$35.0	\$23.2
Out of scope							

Scalability

58. Proposed options for each school target health and safety, expansion and modernisation, while also addressing the specific situation of the individual schools. This integrated approach is the most cost effective way of addressing current and future needs.

59. Choosing lower cost options would mean only addressing health and safety, and essential infrastructure needs. Having to return to schools to address modernisation and/or expansionary demand pressures in the future will be less cost effective and cause further disruption to school operations.

Out of scope

Procurement

62. The Ministry actively mitigates exposure and risk for the Crown through its procurement approaches to property works.

63. To ensure buildings are fit for purpose and up to standard, the Ministry's *designs then build* procurements leverage the significant body of proven design work behind the

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construction of safe, functional, cost-effective and sustainable New Zealand school buildings.

64. To protect the long-term life of assets, the Ministry is looking to incorporate appropriate maintenance arrangements for all new investments into agreed terms and conditions.

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Future plans are for these requirements to be integrated into bundles of projects procured through individual *design then build* contracts.

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Out of scope

Out of scope

Publicity

72. Approval of the proposed redevelopments in this paper will be of interest to media, the education sector, affected schools and their communities.

73. A detailed communication plan is in development to communicate key messages, respond to enquiries and mitigate risks.

Consultation

74. The Department of Prime Minister and Cabinet has been informed about this paper and the associated business cases and Treasury consulted.

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Treasury Comment

- 74.1. The Treasury has been consulted on the investment proposals in this Cabinet paper.
- 74.2. The Treasury does not support the preferred option for the major redevelopment of Marlborough Boys and Girls Colleges, to relocate the two schools on a single site. The business case does not meet the requirements of the Better Business Case framework and does not provide sufficient options analysis or justification for the proposed \$63.2 million capital investment.
- 74.3. Specifically, the business case does not explore the full range of options available. The preferred option appears to be based on community consultation, with minimal account taken of other factors, such as value for money in the assessment framework or considering a co-located, co-educational option.
- 74.4. This results in a \$30 million higher capital cost than the option to redevelop existing sites, which appears to be better value for money. However, because there is insufficient analysis of alternative options, Treasury's view is that the business case does not sufficiently justify this \$33.3 million investment either.
- 74.5. The Treasury recommends that further options analysis be undertaken and factored into the next bundle of major redevelopments in the investment pipeline.

School consultation

75. The Ministry has worked closely with school boards and principals to assess and develop options. Any options proposed by individual boards are included in business cases.
76. All steps have been taken to manage expectations and communicate fiscal and other limitations. Summarised below are the views of schools/colleges engaged in consultation processes.

Out of scope

Out of scope

Marlborough Boys and Girls Colleges

80. Given the level of investment needed to address their existing property issues, both College Boards took the opportunity to consider how a potential network change could improve collaboration, strengthen education delivery and lift student outcomes.

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81. The Boards sought assistance from the Ministry to formally consult with their communities about the future of secondary schooling in the area. Feedback received favoured an option to co-locate both Colleges on a single site (63.5% of respondents to formal consultation supported this approach).

82. Both Boards support this option because sharing facilities, resources and classes, along with closer proximity to the local tertiary provider, will increase collaboration and learning opportunities, and support smoother transitions into tertiary education.

83. Being able to offer a wider breadth of curriculum and teaching opportunities, in specialist resources and facilities, also supports improved educational outcomes.

Human Rights

84. There are no human rights implications associated with these proposals.

Legislative Implications

85. There are no legislative implications associated with these proposals.

Regulatory Impact Analysis

86. There are no regulatory impacts associated with these proposals.

Gender Implications

87. There are no gender implications associated with these proposals.

Disability Perspective

88. Disability perspectives are considered in all school infrastructure investments.

Recommendations

89. It is recommended that Cabinet:

1. **note** that Cabinet approval is required for all departmental capital expenditure or lease proposals with a whole of life present value cost of more than \$25 million (even when funded from baselines and balance sheets) [CO (15) 5 refers]
2. **note** that the 2013 eight point plan to transform school property services included a commitment to invest over \$300 million (over six years) to assist up to 30 schools with complex infrastructure issues

Redevelopments

3. **note** that the eight point plan commitment to redevelop up to 30 schools with complex infrastructure issues will exceed the initial estimate of \$300 million - the additional funds will be prioritised from the Ministry of Education's balance sheet
4. **note** that to date the Ministry has already funded 17 (announced) redevelopments from its balance sheet at a cost of \$200 million
5. **agree** that a further \$251.4 million from the Ministry of Education's balance sheet to redevelop seven schools with the most complex and costly property issues across the estate

Out of scope

6.

Out of scope

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Out of scope

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Out of scope

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11. **either** [supported by the Ministry of Education]

11.1. **approve** a \$63.2 million major redevelopment of Marlborough Boys' and Girls' Colleges that will co-locate the two Colleges on a single site near the local tertiary institution, address infrastructure issues, create shared facilities and closer secondary-tertiary connections, and establish collaboration and extended educational opportunities that support improved learning outcomes

OR [supported by the Treasury]

11.2. **agree** to defer the decision on the major redevelopment of Marlborough Boys and Girls Colleges until further options analysis is undertaken and reflected in the supporting business case

Out of scope

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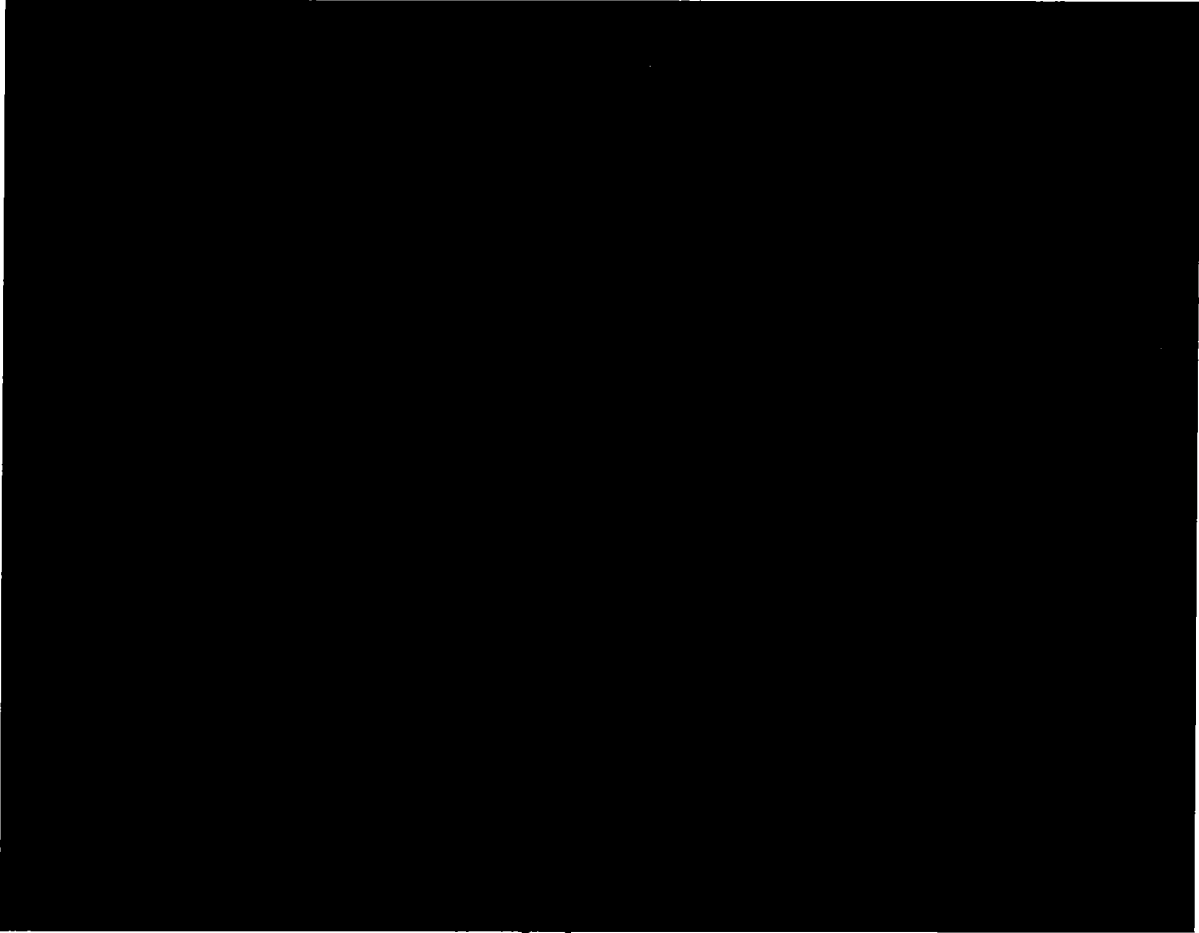
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Out of scope



Delegations

19. **delegate** authority to the Secretary for Education, or delegate, to sign all construction contracts for the major redevelopments approved above, [REDACTED]

Out of scope [REDACTED]

Hon Hekia Parata
Minister for Education

Hon Nikki Kaye
Associate Minister for Education

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Eight-Point Plan to transform school property services

This Government is committed to investing in education and making sure schools have high-quality infrastructure. Our focus is on delivering more modern learning environments that are safe, connected, fit for purpose, and inspiring to both teachers and students.

To achieve this we will provide schools with better property services that will support improved levels of student achievement and address the issues affecting school property around New Zealand. There will be a dedicated Education Infrastructure Service established within the Ministry of Education which will focus on:

1. Investing in areas of growth

The Government has set aside \$134 million to support new schools and major capital works in Budget 2013. \$70 million of these funds are being allocated to establish three new schools and 65 additional classrooms over the next two years.

2. Targeting support to schools that require major developments

Over \$300 million will be invested over the next six years to assist approximately 30 schools to address complex infrastructure issues and modernise their facilities.

3. Helping schools resolve outstanding property issues faster

The Ministry of Education will establish a dedicated team that can work with schools to resolve property issues faster.

4. Providing schools with access to better services including facilities management

Schools will have the opportunity to contract facilities management services that will help them minimise the time they commit to day-to-day property management and increase their focus on teaching and learning.

5. Offering support for major property works

Schools will be able to work in partnership with the Ministry on major property works to increase oversight, support delivery and reduce the school's time on contractual matters.

6. Better procurement to enable faster delivery of national programmes

Schools will be able to choose the level of property assistance they want from a suite of certified, professional services and expertise procured through Ministry-coordinated national programmes. This includes an \$80 million five-year programme for earthquake strengthening and a separate leaky building national programme.

7. Providing schools with incentives to collaborate and develop innovative approaches to property developments

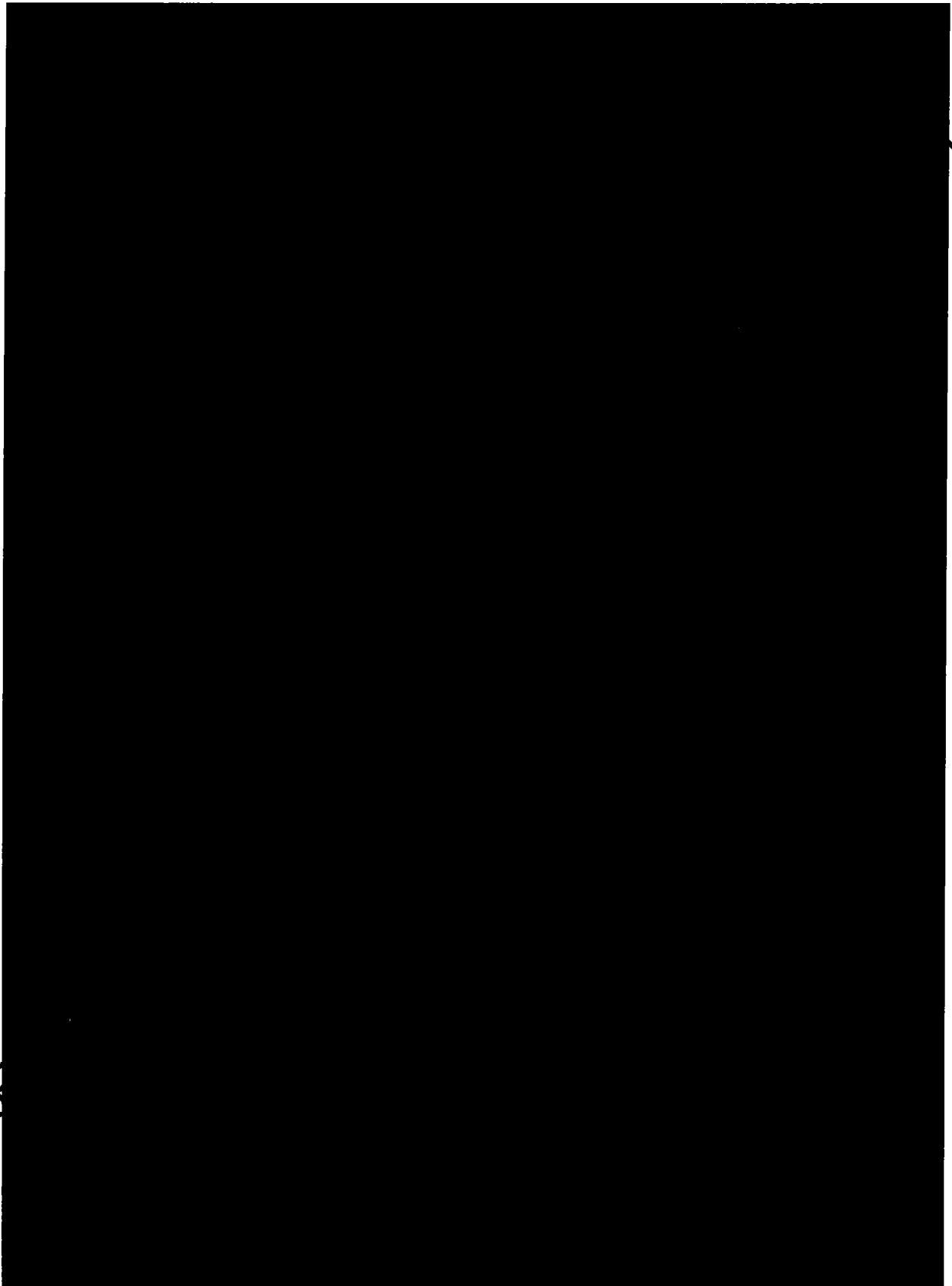
There will be greater options for schools that want to collaborate with other schools and groups to develop shared facilities.

8. Providing greater transparency about the costs and condition of school property

There will be better access to information about the condition and costs of school property to inform planning and investment decisions

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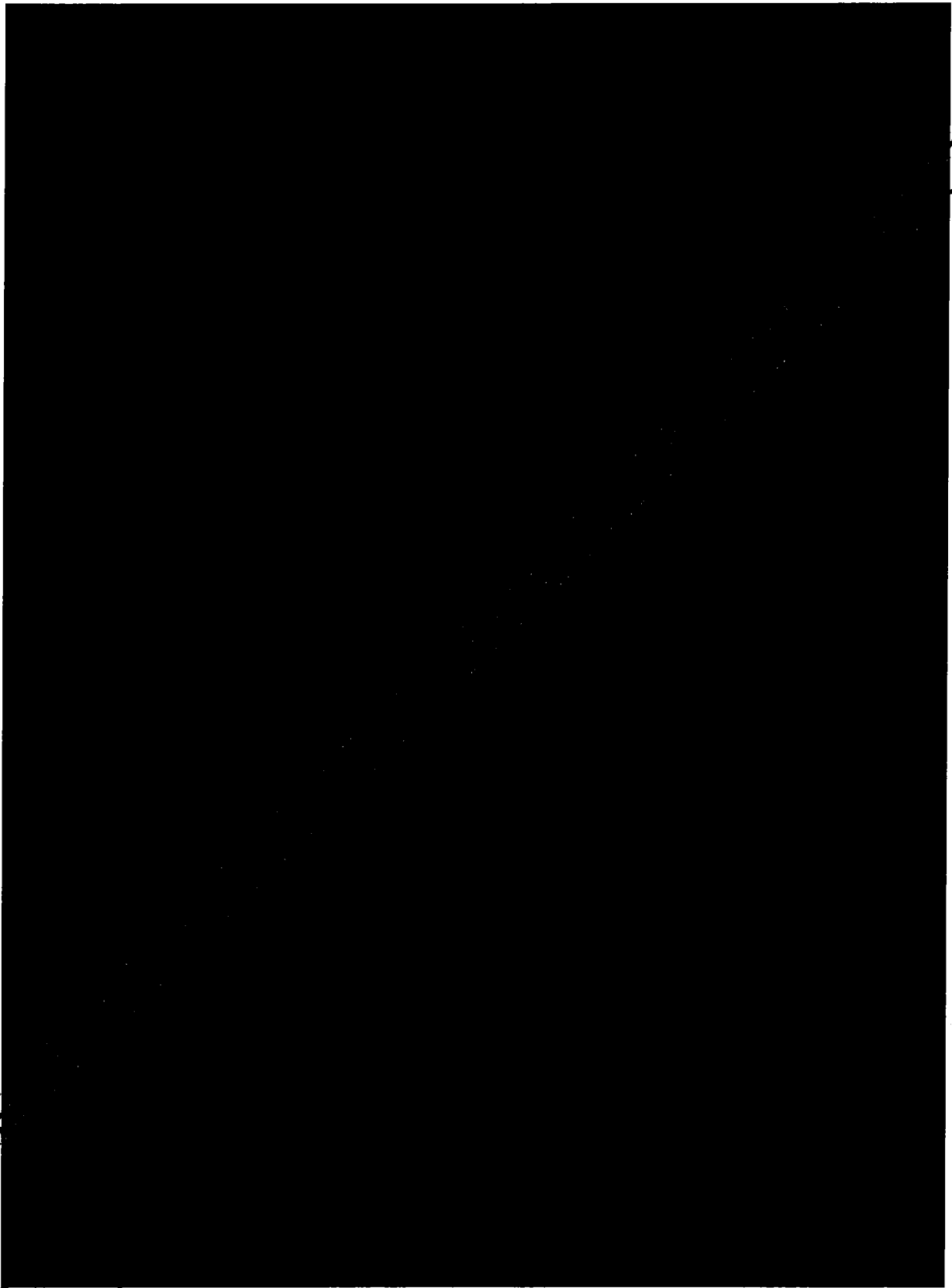
Appendix Two



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Appendix Three

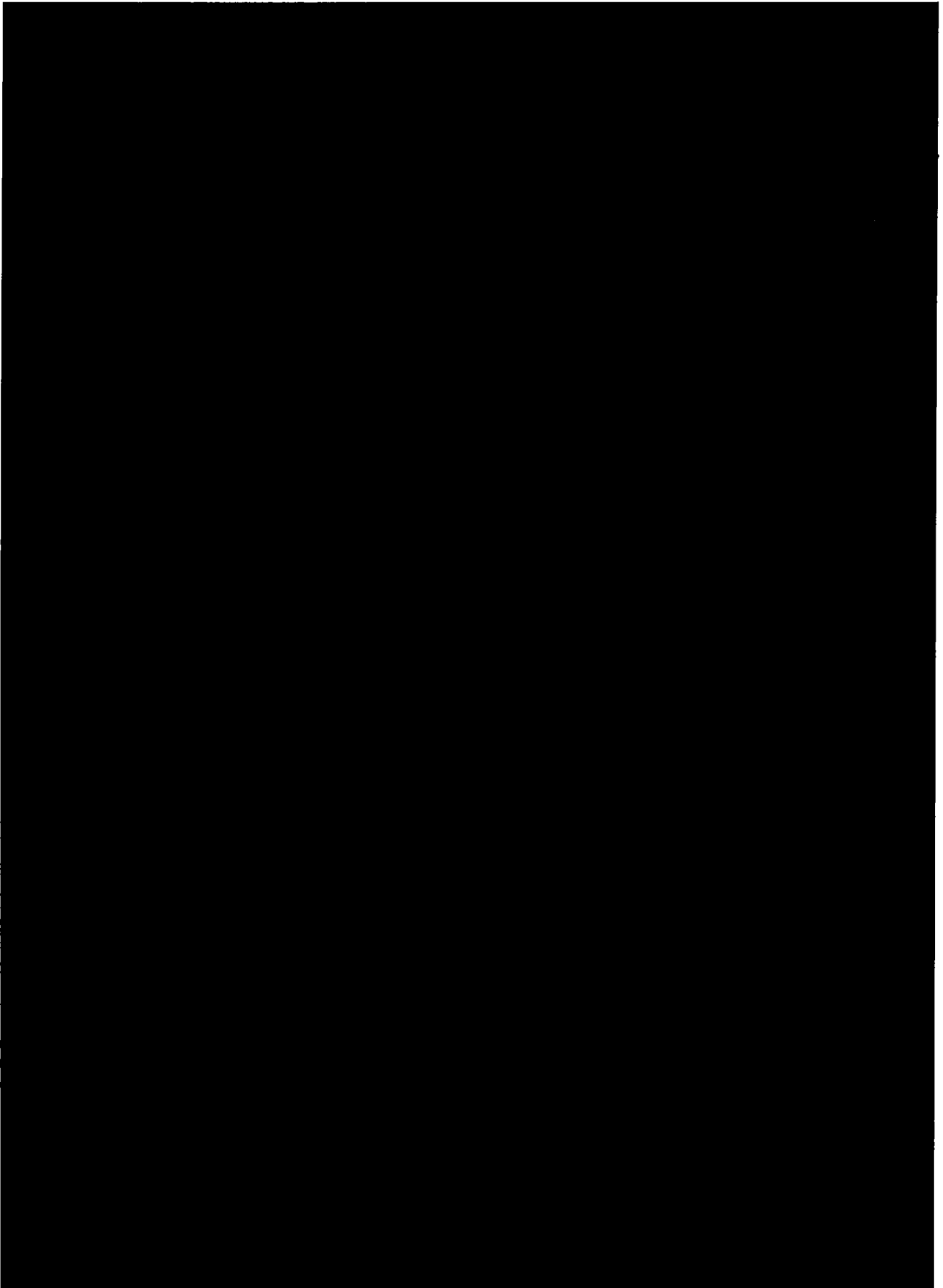


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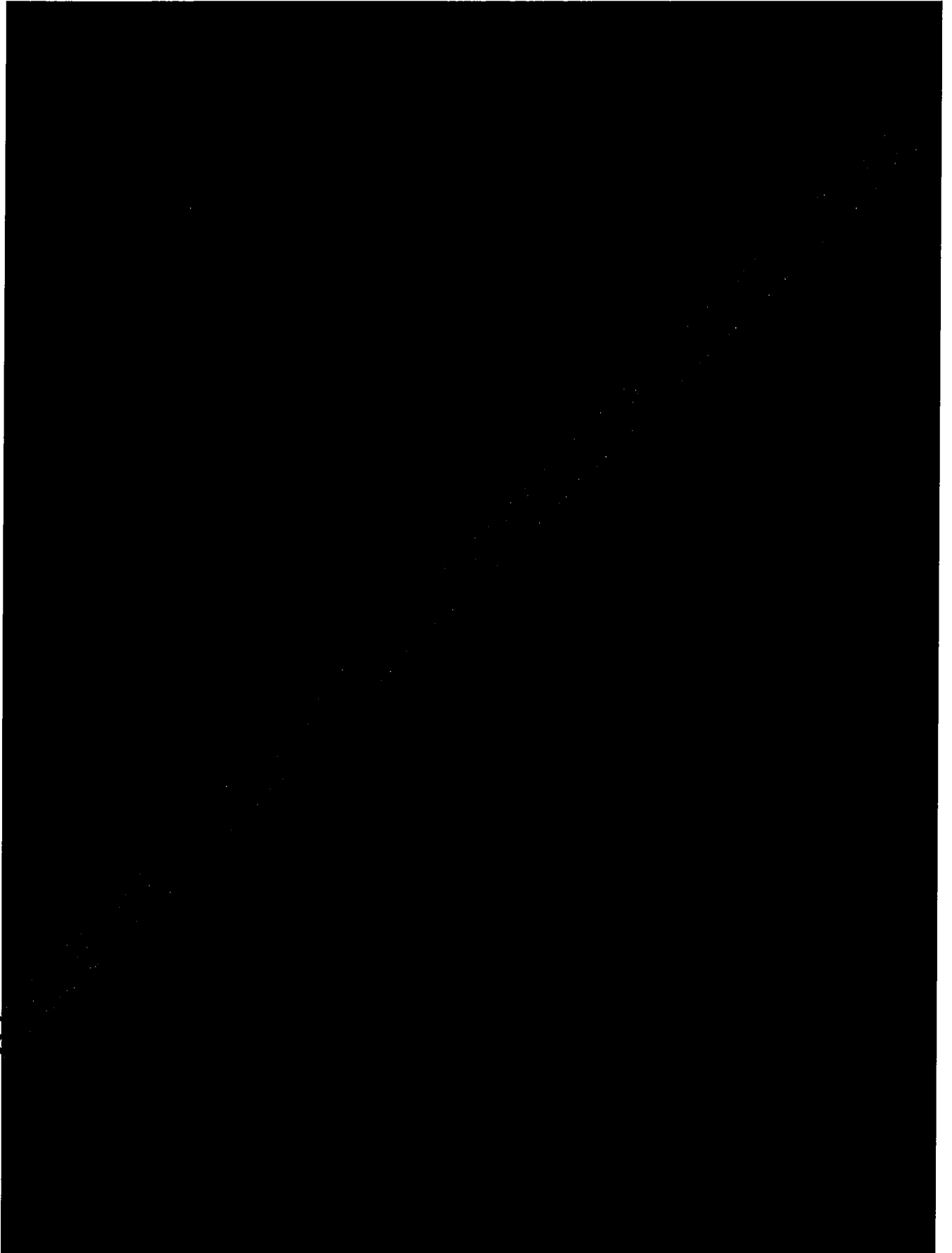
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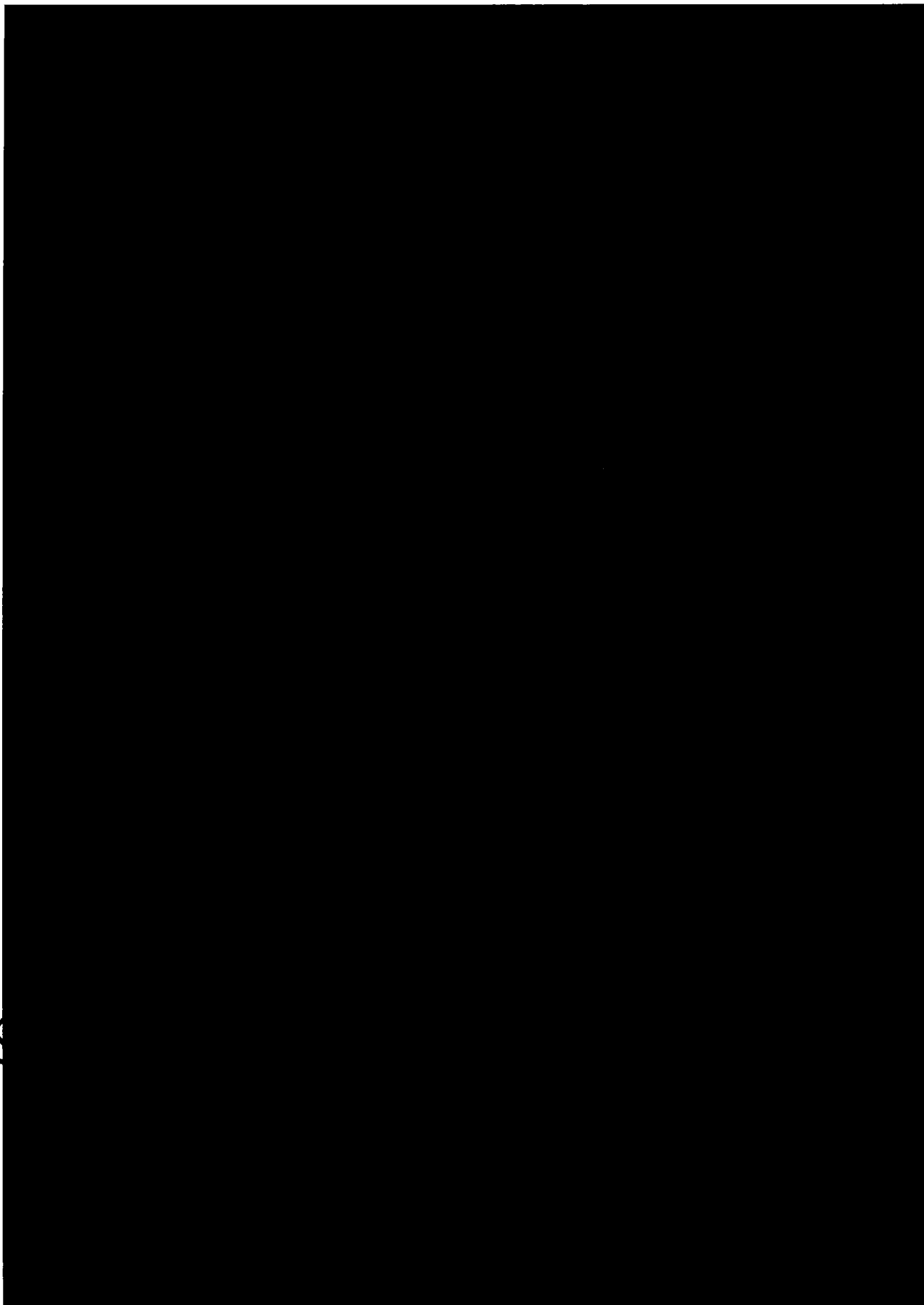
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Appendix Six



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Marlborough Boys and Girls Colleges

The Problem: Both Colleges are in poor condition and require extensive property remediation. By 2017 both are likely to be situated on sites leased from iwi. The Colleges are located far enough apart to require duplicate facilities but they are not close enough to collaborate with each other, or the local tertiary provider, in ways that would extend learning opportunities and pathways for their students.

1. These two decile 7 Colleges have a high proportion of buildings affected by weather-tightness issues, aging infrastructure and general deterioration.
2. Marlborough Boys' College is situated on approximately 9 hectares of land leased from iwi. The Girls' College is situated two kilometres away on approximately 36 hectares of Crown-owned land (iwi have until August 2017 to purchase the site).
3. The local tertiary provider, Nelson Marlborough Institute of Technology, is located more than 2km from each College.
4. The two Colleges are the only secondary education providers in Blenheim. The nearest co-educational option, Queen Charlotte College in Picton, is more than 30 km away.
5. The current situation limits collaboration, sharing of facilities and resources, or extending learning opportunities
6. The Boards of both Colleges requested that the Ministry assist them in consulting with their communities about the future of secondary schooling in the area. While the need to invest significantly in infrastructure was the key driver, both Boards recognised that there was a unique opportunity to strengthen education delivery and outcomes by enhancing collaboration between the schools.
7. Two formal consultation processes followed and the community indicated a clear preference for the Colleges to be co-located on a single site.
8. The schools have formed a Community of Learning with local primary schools that have achievement challenges focused on literacy, numeracy and underachievement. While achievement at both Colleges is generally good, both are still to meet the 85% target for NCEA Level 2 (85 target 5).

The Options

9. Four options have been analysed. The three onsite options address property issues for both Colleges to some degree. Option four is for an offsite co-located new build.

- a) **Option one:** *remediate* – \$16.9 million in capital, will address the Colleges' weather-tightness and structural issues, and maintain current capacity levels – meeting current and projected capacity needs.
- b) **Option two:** *remediate with core Innovative Learning Environments (ILE)* – \$33.3 million will address the Colleges' condition issues and capacity needs, while providing some modernisation to an ILE.
- c) **Option three:** *remediate with advanced ILE upgrade* – \$48.68 million will address the Colleges' condition issues and capacity needs, while providing modernisation in the form of a full ILE.
- d) **Option four:** *rebuild and co-locate* – \$63.16 million will provide new facilities for both Colleges, including some shared facilities, and address all infrastructure

issues – this approach will enhance collaboration between the Colleges and connections with the local tertiary provider.

What the preferred option delivers

10. Co-location through option four delivers:

- a) new infrastructure for both Colleges on Crown-owned land resolves infrastructure issues and provides a long-term viable investment
- b) shared facilities (administration, library etc) and removes the need for duplicate buildings
- c) enhanced collaboration between the schools to support improved student achievement (to meet BPS target 5)
- d) close proximity to the tertiary provider to strengthen secondary-tertiary partnerships and pathways from compulsory education into further education, employment or training (to meet BPS target 6)
- e) more opportunities to provide tailored academic and pastoral support for Māori and Pasifika students (Ministry's priority students) due to there being a larger cohort on the same site (these groups are performing below their NZ European and Asian counterparts in NCEA achievement)
- f) an opportunity to share specialist facilities across a whole of Community of Learning (primary schools could utilise specialist resources at the shared site)
- g) future-proofing for any unexpected population growth or decline
- h) [REDACTED]
- i) recognition of both Boards' initiative to collaborate and develop innovative approaches to property developments that will achieve better student outcomes
- j) community expectations for co-location.

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Next steps and time frames

11. Following Cabinet approval, the Ministry of Education will commence the process to find a suitable site. [REDACTED]

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SINGLE STAGE BUSINESS CASE - MARLBOROUGH BOYS & GIRLS COLLEGE

STRATEGIC CASE - WHY DO WE NEED TO INVEST (The Problem)

Both schools are in poor condition due to weather-tightness issues and deterioration, and require earthquakes strengthening. Marlborough Boys' College is on leased land from Iwi. Marlborough Girls College land has been offered to Iwi to purchase. These are the only two secondary schools in Blenheim. The Boards of both schools have consulted with their community about change in order to enhance collaboration and improve educational opportunities and outcomes. The Boards and community prefer co-location. Co-locating the schools would allow for shared facilities, resources and classes, co-educational options and better connections to the local tertiary institution.

PROJECT HISTORY

The Boards of both schools requested Ministry assistance to enable them to consult with their communities about the future of secondary schooling in the area. The need to invest significantly in infrastructure was the driver, but the Boards recognised this presented a unique opportunity to strengthen education delivery and outcomes by enhancing collaboration between the schools. Two formal consultation processes followed, in which the community indicated a clear preference for co-located secondary schools. A business case has been developed based on two broad options. These being:

- 1) Relocate one or both schools to provide two single sex colleges co-located on one site
- 2) Retain the status quo and continue with the existing sites, with investment made in building remediation

ADDITIONAL EDUCATIONAL BENEFITS AND OPPORTUNITIES AND 'COMMUNITIES OF LEARNING'

The schools have formed a Community of Learning with local primary schools with achievement challenges focused on literacy, numeracy and underachievement. While achievement at both schools is generally good, neither has met the 85% target for NCEA Level 2 (BPS target 5).

SITE INFORMATION

SITE SIZE (Ha)	Boys	9 ha (net)	Land leased from Iwi. Reviewed every 7 years and renewed every 21 years. Due for renewal 2035.
	Girls	8.36 ha (net)	Land owned by the Crown

ECONOMIC CASE (Remediate or rebuild)

New Funding Required	Option 1: Remediate Existing		Option 2: Redevelopment - Redevelop existing site with ILE upgrades (presses property issues)		Option 3: Re-Build and co-locate (Recommended Option)	
	Appraisal Period (Years)	Capital Costs (\$ millions)	Appraisal Period (Years)	Capital Costs (\$ millions)	Appraisal Period (Years)	Capital Costs (\$ millions)
Preapproved Funding	20	\$16,898,000	20	\$39,308,000.00	20	\$63,160,000.00
CURRENT DATA						
NO. TEACHING SPACES	B: 48 G: 51	97	97		97	
T/SPACE ENTITLEMENT	B: 45 G: 49	97	97		97	
SCHOOL UTILISATION	B: 92% G: 96%	100%	100%		100%	
ROLL	B: 901; G: 974	B: 901 G: 974	B: 901 G: 974		B: 901 G: 974	2100
Variance	CURRENT DATA	Opt 1	Opt 2	Opt 3	Opt 4	
Capital Cost \$m (new funding)		\$16.90	\$33.31	\$48.68	\$63.15	
No Teaching Spaces		99	97	97	97	
Roll capacity		B: 919 G: 1066	B: 919 G: 1066	B: 919 G: 1066	2100	

The Recommended Option Scope (OPTION 3) provides new facilities for both schools, including some shared facilities, and provides opportunity for better collaboration. Co-location was preferred by the Boards and the community as it would allow enhanced collaboration, which is considered to be a lever to raise achievement in both Colleges. The Ministry considers that co-location would increase opportunities for collaboration.

SCHOOL INFORMATION

SCHOOL TYPE	STATE SECONDARY - YEARS 9 - 15
AREA	BLENHHEIM, MARLBOROUGH
DECLIE	Boys - 7; Girls - 7
CURRENT ROLL (07/15)	Boys - 901; Girls - 974
OUT OF ZONE (07/15)	
BUILDING INFORMATION	
BOYS: 29 out of 48 spaces require remediation (60%)	
GIRLS: Admin, Gym, Boiler and Learning support space need remediation	

STUDENT DEMOGRAPHICS (2014)	
OTHER	B: 76.8%
MAORI	B: 18.98%
PASIFIKA	B: 3.66%
FOREIGN	B: 0.55%
ORRS	5

NETWORK INFORMATION - The School is a key part of the network

OTHER SECONDARY SCHOOLS IN NETWORK Queen Charlotte College (31km away in Picton)

The schools are located more than 2 km apart which limits the ability to collaborate on a daily basis, share facilities and classes. In addition, the local tertiary provider (Nelson Marlborough Institute of Technology) is located more than 2 km from each school, which limits options for secondary-tertiary programmes and pathways into further education.

Marlborough Boys: Land (500m away) is leased to Marlborough District Council for recreation purposes (artificial surface for all weather sports. Council owns improvements to the land).

Iwi have until August 2017 to purchase the site. Lease back would likely form part of the transaction.

Preferred option delivers

Enhanced collaboration between schools
New buildings
New site infrastructure
Full advanced ILE, DQLS
ICT upgrade
Delivers on community expectations
Strengthened secondary and tertiary connections
More tailored pastoral support for Maori and Pacifica students

KEY

statistical information
financial information

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FINANCIAL AND COMMERCIAL CASE

TOTAL SCHOOL INVESTMENT

Approval	Funding Source	Amount	Year(s) spent
Preapproved and SYA Funding contribution to new build	Major redevelopment	\$3,519,934	2015/16-2018/19
Cabinet Decision - 2015	Major redevelopment	\$63,160,000	2015/16-2018/19
TOTAL		\$66,679,934	

Financial Analysis	2017/18	2018/19	2019/20	2020/21	2021/22
Project \$/m2 project rate ave	\$2,802.01				
Project cost per/student	\$33,685.33				
Contingency	10%				

Expenditure Profile	2017/18	2018/19	2019/20	2020/21	2021/22
Financial Year		\$5.00	\$35.00	\$23.16	
Expenditure (\$m)					

MANAGEMENT CASE

Procurement and management plans are still to be developed.

§ 9(2)(f)(iv) OIA

Indicative Timeframes	Phase	Time Period	Indicative Date
	Cabinet Approval		Q4-3
	Site purchase		TBC
	On site works		2018-2021

COST BREAKDOWN - REMEDIATION WORKS

Breakdown of costs	Main Works Contract	%
Buildings	\$13,300,000.00	
Site works	\$49,000,000.00	
Contingency	\$6,300,000.00	
Furniture and equipment	\$1,000,000.00	
Funding required	\$63,160,000.00	
Preapproved funding	\$3,519,934.00	
TOTAL MAIN WORKS CONTRACT	\$66,679,934.00	
TOTAL EARLY WORKS	\$0.00	
TOTAL COSTS	\$66,679,934.00	

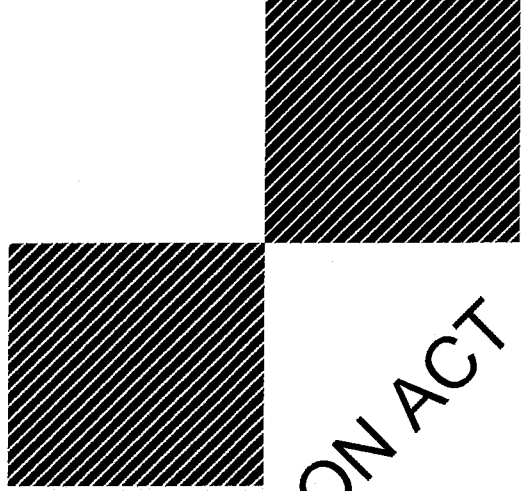
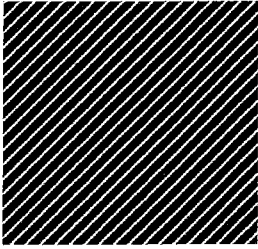
KEY BENEFITS

Jobs in the construction and engineering sector	
Promote built-environment related careers to the students at the Colleges	
\$63.16 million into the regional economy, Building and construction activity	
Improved asset quality and reduced	
Teachers focused on teaching	
Innovative learning environments. Safe, strong, dry buildings	
Future maintenance could be contracted to facilities management provider as part of the redevelopment	

MITIGATION

RISKS	MITIGATION
Construction risks - H&S School Operation	Phasing and management plans will be carefully considered to ensure risks from works are separated from the College in operation.
Scope 'Creep'	It is critical the roles of the MoE as the 'Client' with the College as the 'End User' continues to manage delivery, scope and expectations. This will be assisted by the procurement route.
Stakeholder Involvement	Regular meetings with the school and its community continue and good links with BAU Property Team throughout, including IOYPP once works have completed
The Marlborough Secondary School sites are subject to Treaty commitments and obligations.	To mitigate these issues the Ministry will engage the owners and other interested parties in the decision-making and negotiation process at the earliest stage possible

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Marlborough Boys and Girls Colleges, Blenheim
Business Case
Ministry of Education

15 September 2015
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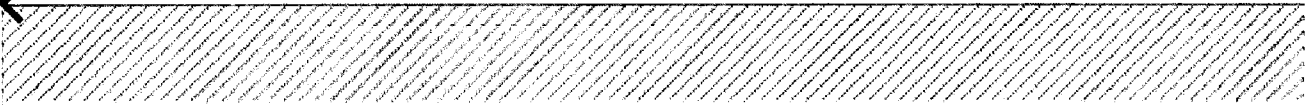
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Marlborough Boys and Girls Colleges, Blenheim

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Appendices

- A – Co-located Colleges – Concept Master Plan
- B – Demographic Analysis

Executive Summary

Marlborough Boys' and Girls' Colleges are secondary schools in Blenheim, catering for Years 9 to 15 students with a peak roll of 919 and 973 students respectively as of 2014. In the period from 2011 to 2013 the Ministry of Education undertook investigations into the current state of Marlborough Boys' College and Marlborough Girls' College building stock, resulting in a high number of building code and other deficiencies identified, including deterioration, weather-tightness issues and substandard earthquake resilience.

The Colleges are situated more than two kilometres apart, and the ability for staff and students to interact on a daily basis is limited by this distance.

In light of these issues a discussion about future secondary schooling in Blenheim was initiated by the Boards of Marlborough Girls' College and Marlborough Boys' College. They saw the need to make a significant investment in property provision as presenting an opportunity to strengthen the delivery of secondary education in the town by enhancing collaboration between the two schools.

In October 2013 consultation was undertaken with a view to determine the preferred community options for the future of secondary education provision in the town. This feedback would then help inform a decision about the future of secondary schooling in Blenheim. Following this there was further consultation between the Ministry and the College Boards resulting in three options being selected for further consideration with the local community.

The three options selected by the Ministry and the College Boards are:

1. Relocate one or both schools resulting in two single sex colleges co-located on one site or in close proximity to each other.
2. Retain the status quo (each school remains on their existing site and the Ministry invests funds into the building infrastructure)
3. Have one purpose built co-educational college.

Following this second round of community consultation a report was prepared in September 2014, providing a clear community preference for Option 1. In December 2014 a report was sent by the Ministry of Education to the office of the Minister of Education recommending that the Minister agree that a business case be prepared for Cabinet to consider funding a range of options for the future of secondary education provision in Blenheim.

This business case has been prepared in order to assess the options available for addressing the existing property issues at the colleges, together with responding to the community interest in new build co-located schools.

The key drivers behind the need for investment at the schools include the building condition issues identified with the existing building stock, together with the potential corollary health and safety issues.

Remediate, rejuvenate, or rebuild

This business case explores the merits of each option from a qualitative and quantitative point of view. The long list of options has been refined to a shortlist of four options as follows:

- Option B, includes:
 - B1: remediate, no upgrade
 - B2: remediate with core ILE upgrade, and
 - B3: remediate with advanced ILE upgrade
- Option C1 two new co-located schools

The following summarises the quantitative and qualitative assessments.

Quantitative assessment

The key findings from the quantitative assessment of options are:

- The Remediate solution - Option B1 - addresses the schools' condition issues including weather-tightness and structural strength, and maintains the schools' current capacity levels meeting current and projected capacity needs.
- The Core Upgrade solution - Option B2 - which provides building remediation and core ILE upgrades, addresses the school's condition issues including weather-tightness and structural strength, provides some modernisation in the form of core ILE, and maintains the schools' current capacity levels meeting current and projected capacity needs.
- The Advanced Upgrade solution - Option B3 - which provides building remediation and advanced ILE upgrades, addresses the school's condition issues including weather-tightness and structural strength, provides modernisation in the form of full advanced ILE, and maintains current capacity levels meeting the schools' current and projected capacity needs.
- The Rebuild Co-located Schools solution - Option C1 - provides new facilities for both schools, including some shared facilities, and provides opportunity to better meet the qualitative benefits discussed below.

In considering the options above from a quantitative value for money analysis, the Core Upgrade solution - Option B2 - represents the best solution to meet the needs of the school property at both Colleges in line with Ministry infrastructure strategies and objectives. Specifically this option:

- Addresses the schools' property condition issues;
- Provides the schools with capacity to meet their current and projected needs;
- Provides some modernisation through core upgrades; and a business as usual approach to longer term upgrade and modernisation of the school facilities, balancing the needs of these schools with the needs of others.

Qualitative assessment

The Ministry's key objective is to raise achievement for all students. Neither of these schools has reached the 85% NCEA Level 2 target and overall Marlborough Boys' College's achievement is below Marlborough Girls' College's achievement.

The Ministry also aims to strengthen educational pathways, particularly from secondary into tertiary education, to help young people into further education, training and employment following the conclusion of their compulsory education years. The location of the tertiary provider Nelson

Marlborough Institute of Technology (NMIT) is Blenheim, which is some distance from both Colleges. If the Option C1 - to rebuild/re-locate is approved it is proposed that NMIT would also relocate onto, or close to the new Colleges' site.

Co-location was preferred by the Boards and the community as it would allow enhanced collaboration, which is considered to be a lever to raise achievement in both Colleges. The Ministry considers that co-location would increase opportunities for collaboration in the following ways:

- It would provide for a wider breadth of curriculum as the schools could share specialist facilities and teachers.
- It would provide the opportunity to offer both single sex and co-educational secondary classes.
- It would provide the opportunity to provide more tailored academic and pastoral support for Māori and Pasifika students. These students are part of the Ministry's priority learners, and are smaller cohorts of both schools' populations. These groups are performing below their New Zealand European and Asian counterparts.

One of the main disadvantages of the options to remediate is that the schools would remain on their existing sites and therefore distance between the schools limits collaboration and to some extent becomes a barrier to promote increased collaboration.

Discussion

Based purely on the economic case for the capital work, the preferred solution is Option B2, to remediate with core ILE upgrade. This option would meet the key property investment objectives and provide an opportunity to upgrade all buildings to core ILE standards.

However, this option does not meet the expectations and preferred option of the community and would not support or enhance the potential for schools to realise all the qualitative benefits and Ministry's goals.

The community's preferred option is to rebuild and co-locate the schools, Option C1. The additional cost to implement the Option C1 solution, in terms of the property infrastructure solution Option B2, to remediate with core ILE upgrades, is estimated to be c\$30m in excess of this (B2) option.

The decision

This business case therefore seeks approval for an investment estimated to be \$63.16Million to:

- Rebuild and co-locate the two schools, based on the educational benefits that will be achieved with this option.

1 Purpose

The business case follows the Treasury Better Business Cases guidance for a Single Stage Light Business Case and is organised around the five case model designed to systematically ascertain that the investment proposal:

- is supported by a compelling case for change – the ‘strategic case’,
- optimises value for money – the ‘economic case’,
- is commercially viable – the ‘commercial case’,
- is financially affordable – the ‘financial case’, and
- is achievable – the ‘management case’.

The key purposes of this business case are to:

- capture and define the current issues
- confirm the strategic fit and the need for investment,
- identify a range of potential options,
- determine the preferred option which optimises value for money, by undertaking a detailed analysis of the costs, benefits and risks of the short-listed options,
- prepare the investment proposal for procurement,
- plan the necessary funding and management arrangements for the successful delivery of the project, and
- inform a decision to approach the market to finalise the arrangements for implementation.

However, it should be noted that this business case is presented based on ‘high level’ technical and financial information, which would need to be confirmed and verified prior to a final decision on proceeding with the recommended option.

2 Strategic Case

2.1 The Strategic Context

2.1.1 Background

The Ministry of Education (the Ministry) has responsibility for the planning, design, construction and management of the network of state schools to provide for the education of school-age students.

The Ministry is focused on building a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21st Century.

Property is integral to the effective delivery of education, and this is recognised throughout the Ministry's corporate objectives. The school property portfolio is the second-largest publicly owned property portfolio in the country. As at June 2014, it comprised approximately 2,050 schools, located on 7,000 hectares of land, and had a net book value of \$11.5 billion. Over 19,000 buildings and 35,000 classrooms are situated within this portfolio which has a replacement value in excess of \$22 billion.

The New Zealand School Property Strategy (SPS) sets the direction for state-owned school property and in doing so will help ensure that property investment decisions target the needs of a modern education system. The Ministry has set out its capital intentions for the period 2012/13-2021/22 totalling an investment of \$6.5 billion. This investment is to remediate, renew and strengthen the portfolio as a direct response to issues of weather-tightness and seismic strengthening, investments in lifecycle management, including capital maintenance, life extension and modernisation, and to fund new capacity and the School Network Upgrade (SNUP) to meet anticipated demand growth.

The SPS sets out the changes needed through three strategic goals:

- 1. School property is well managed-** through proactive management of the portfolio which focuses on value for money, and places greater emphasis on developing a property service model that recognises the property needs of individual schools.
- 2. School property is fit for purpose-** through further work to ensure that school design and capital projects deliver internal environments that support educational achievement.
- 3. A high-performing portfolio of schools-** by ensuring new schools and additional capacity is delivered in a timely and cost effective manner. Also, by identifying further ways to minimise the amount of surplus property and optimising the number of schools required to deliver educational services.

The New Zealand School Property Strategy is structured as follows:

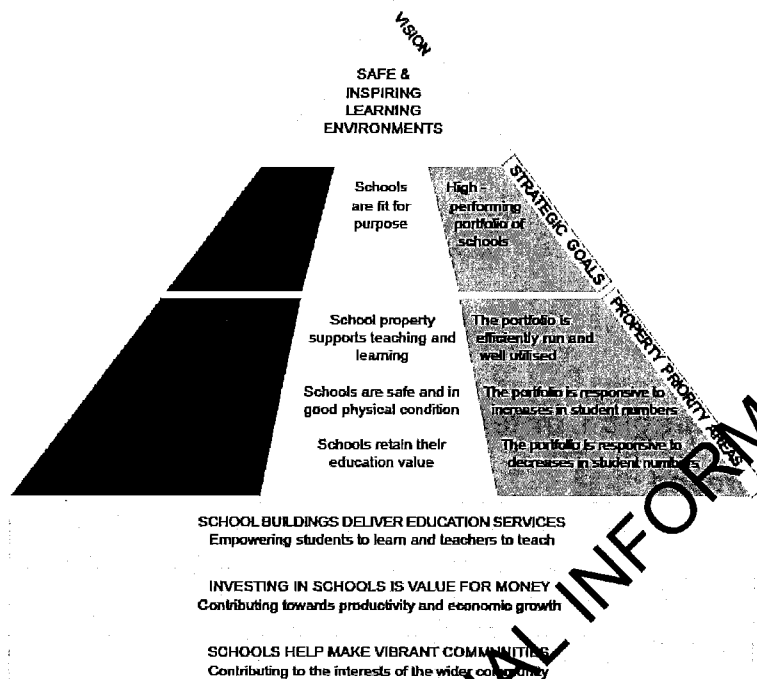


Figure 1 | New Zealand School Property Strategy

The Government's three priorities for well-managed school property are:

Priority one: Health and safety

- Health and safety projects which could close schools if they are not addressed (such as broken fences near streams, or cliffs). These include defects which could harm children, but not small things such as minor trip hazards in a car park.

Priority two: Essential infrastructure projects

- Essential infrastructure projects are normally large scale projects that are necessary for the effective operation of the school, for example re-roofing. Full-scale relaying of car parks, driveways or hard courts does not come under this category if they can be patched for a lower cost. Essential infrastructure projects do not include work that should come under maintenance, rather than essential infrastructure, such as gutter clearing.

Priority three: Innovative learning environments

- Upgrading existing classrooms to meet the Designing Quality Learning Spaces (DQLS) standards; and/or
- Reconfiguring a block/area to create breakout spaces or other modern learning spaces.

Priority Four: Discretionary projects

Priority four works are works that can only be undertaken if all priority one, two and three projects are completed. Examples of priority four projects include:

- administration upgrades, internal reconfigurations, extensions
- ancillary buildings and areas, such as covered walkways between buildings, general landscaping, astro turf and shade sails, covered verandas to reduce glare to classrooms creating indoor/outdoor flow.
- grounds paving, resealing car parks and fencing

- extensive school signage
- CCTV cameras (not part of a full scale security upgrade).

2.1.2 Organisational Overview

Marlborough Boys and Girls Colleges are both full secondary schools (Years 9 - 15) located on separate sites within the Blenheim district. The two Colleges came into existence in 1962 with the separation of the co-educational school into two single sex schools with a combined roll prior to separation of 1242 students. As of July 2014 the rolls for the schools were 919 for the Boys' College and 973 for the Girls' College.

The Marlborough Boys' College learning vision is:

To create for the young men of Marlborough an 'inspirational learning environment' in which high expectations exist in all endeavours.

The Marlborough Girls' College learning vision is:

Marlborough Girls' College is a community of 'purposeful lifelong learners'

The Principals and the Board of Trustees (BoTs) seek to provide a safe, robust and fit for purpose environment which facilitates 21st Century learning and Modern Learning Environment (ILE).

2.2 The Need for Investment

The key drivers behind the need for investment in change are:

- The structural and weather-tightness issues affecting the existing school buildings, together with the potential for corollary health and safety issues.
- The requirement for closer educational interaction between the Boys and the Girls Colleges
- The local community desire for two co-located schools

2.2.1 Marlborough Boys and Girls Colleges Role in the Network

Marlborough Boys and Girls Colleges are two of the four schools providing secondary education within the Marlborough district, where the other two are a secondary school and a composite school, both of which are co-educational schools.

Based on student address data collected in July 2013, 95% of year 9 to 15 students residing in Marlborough district attended one of the four local schools. The following table provides the roll and capacity information for Marlborough Boys and Girls, which have sufficient capacity for 2,027 students.

School	Teaching Spaces	Student Spaces (Capacity)	March 2014 Roll	Surplus/Deficit Student Spaces	
Marlborough Girls' College	51	1,066	973	+ 89	8%
Marlborough Boys' College	48	961	919	+ 42	4%
Total	99	2,027	1,896	+ 131	6%

Table 1 | Boys and Girls Colleges Role in the Network

According to current school age population projections for the Marlborough District, over the long term the aggregated roll for the two colleges is expected to remain relatively stable. The dip in the projected roll through to 2019 reflects the decline in the secondary age population, preceding gradual growth as the current peak in the primary age population moves through to secondary schooling. Although the

combined roll of the two Colleges is projected to grow slightly from 2019 to 2024, it is not projected to grow beyond the 2012 peak of approximately 2,000 students.

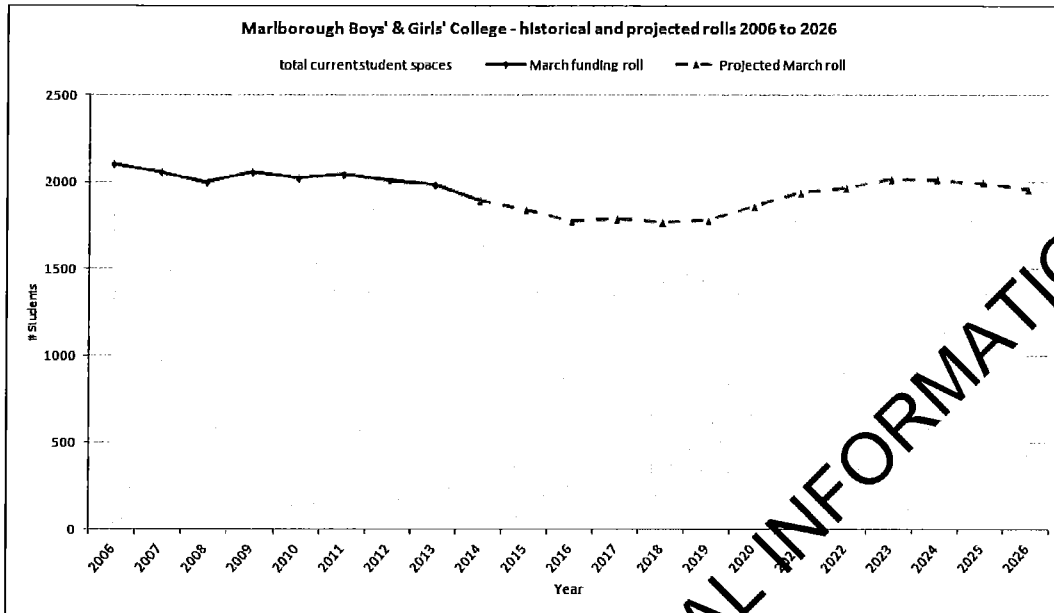


Figure 2 | Peak rolls for Marlborough Boys' and Girls' Colleges

2.2.2 Marlborough Boys' and Girls' Colleges Site and Building Infrastructure

Remediate, Redevelop, or Rebuild

A range of options to address these issues have been assessed, including options to remediate, redevelop or rebuild the existing schools as co-located or co-educational schools. This business case explores the merits of each option. The long list of options has been refined to a shortlist of four options as follows: remediate, redevelop with core ILE upgrades, redevelop with advanced ILE upgrades or rebuild as co-located schools.

Further historical building condition assessment information has been supplied by the Ministry recently, together with the findings of a further non-intrusive condition assessment survey of both Boys and Girls College buildings undertaken in April/May 2015.

High level cost estimates have been prepared based on the outline scope of works from the most recent condition assessment survey, together with high level cost estimates prepared for the core and advanced ILE building upgrades.

A summary of Buildings at both Colleges is shown below:

Marlborough Boys' College

Block No.	Block Name	Predom. Use	Year Built	Perm/Reloc	Net Area (m ²)	Teach. Spaces	Comments
School Block Building Summary							
100990	Goulding Pavilion	Multi-Purpose	2001	Perm	279	0	Extensive building maintenance required
A	Admin	Classroom	1965	Perm	1556	15	Extensive building maintenance required
C	Art& Craft Classroom	Classroom	1950	Perm	316	3	Extensive building maintenance required
G	Gymnasium	Gymnasium	1960	Perm	730	0	Extensive building maintenance required
L	Library Classrooms	Library	1960	Perm	536	1	Extensive building maintenance required
O	Main Block	Classroom	1912	Perm	2236	14	Extensive building maintenance required
P	Prefab	Classroom	1960	Reloc	146	1	Extensive building maintenance required
S	Science Labs	Classroom	1993	Perm	864	8	Extensive building maintenance required
T	Technical	Classroom	1950	Perm	850	6	Extensive building maintenance required
B	East Toilet Block	Toilets	2014	Reloc	4	0	Extensive building maintenance required
Total					7347	48	

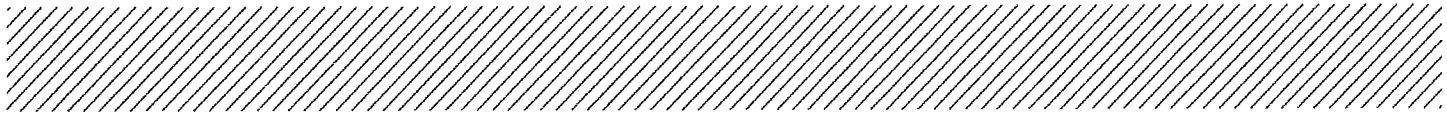
Table 2A | Boys' College Buildings Summary

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Marlborough Girls' College

Block No.	Block Name	Predom. Use	Year Built	Perm/Reloc	Net Area (m ²)	Teach. Spaces	Comments
School Block Building Summary							
A	Admin	Admin	1963	Perm	1063	1	Extensive building maintenance required
AA	Technology	Classroom	1999	Perm	477	3	Extensive building maintenance required
AB	Te Riu OTe Wairau	Cultural	1999	Perm	0	0	Extensive building maintenance required
B	B Block	Classroom	1963	Perm	922	12	Extensive building maintenance required
BB	Learning Support	Special Needs	1962	Perm	0	0	Extensive building maintenance required
C	C Block	Classroom	1963	Perm	813	12	Extensive building maintenance required
D	Boiler House	Boiler	1963	Perm	68	0	Extensive building maintenance required
E	Home Economics	Classroom	1994	Perm	343	3	Extensive building maintenance required
F	Work Experience	Classroom	1970	Reloc	145	0	Extensive building maintenance required
G	Gymnasium	Gymnasium	1998	Perm	1066	0	Extensive building maintenance required
I	New Visual Arts Block	Arts & Crafts	2012	Perm	85	5	Extensive building maintenance required
J	Community Oral Health	Dental	2011	Perm	0	0	Extensive building maintenance required
L	Library	Library	1972	Perm	401	0	Extensive building maintenance required
O	P5	Classroom	1970	Reloc	66	1	Extensive building maintenance required
P	P4	Classroom	1970	Reloc	66	1	Extensive building maintenance required
Q	P3	Classroom	1970	Reloc	66	1	Extensive building maintenance required
R	P 1 & 2	Common Room	1980	Reloc	126	2	Extensive building maintenance required
S	Science Labs	Classroom	1998	Perm	810	7	Extensive building maintenance required
ST	Student Comm Room	Unknown	2002	Perm	68	0	Extensive building maintenance required
T	Music A/V	Classroom	1963	Perm	583	3	Extensive building maintenance required
TR	Temp Reloc	Unknown	2010	Reloc	3	0	Extensive building maintenance required
Z	Guidance	Counselling	1998	Perm	176	0	Extensive building maintenance required
CC	Disabled Toilet	Toilets	2013	Reloc	1	0	Extensive building maintenance required
Total					7748	51	

Table 2B | Girls' College Buildings Summary



2.3 Community Consultation

In light of the property issues with the existing schools, the school Boards of Trustees (Boards) engaged with the local community with the objective of exploring how education could be delivered in future for the Marlborough district through collaboration between the two Colleges.

Following the appointment of a facilitator by the Ministry in October 2013 an initial phase of community consultation was undertaken with subsequent preparation of a report identifying potential options for the Colleges. This resulted in three options selected for further consideration with the local community.

The three options selected by the Ministry and the College Boards for consideration consists of:

- Option 1 - Relocate one or both schools resulting in two single sex colleges co-located on one site or in close proximity to each other.
- Option 2 - Retain the status quo.
- Option 3 - Have one purpose built co-educational college.

The outcome of the community consultation process indicated the preferred option to be:

- Option 1 - Relocate one or both schools to have two single sex colleges co-located on one site or in close proximity to each other.

On 1 December 2014 a report titled 'The Future Marlborough Boys College (288) and Marlborough Girls College (289)' was sent by the Ministry of Education to the office of the Minister of Education with a recommendation made that a business case be prepared for a range of options regarding the future of Marlborough Boys College and Marlborough Girls College.

On 10 December 2014 the Minister directed that a business case be prepared in accordance with the recommendation from the Ministry to examine the options listed above for co-located or co-educational colleges, whilst retaining the option to maintain the 'status quo' of the colleges with the existing buildings.

2.4 The Case for Change

The following key problems have been identified and agreed to be addressed by investing in change:

- The health and safety risks posed by the seismic and weather-tightness condition of the existing school buildings.

Through the community consultation process and in conjunction with the key stakeholders; being the school Principals and Boards, and the Ministry, the following opportunities to leverage by investing in change were also identified and agreed:

- Upgrade and modernisation of the College accommodation to provide teaching and learning spaces that comply with the Ministry's Innovative Learning Environment parameters and support 21st Century learning and curriculum.
- Increased collaboration between the two Colleges through Co-location or Co-education with some shared facilities.

The case for change is summarised below for each of the investment objectives:

1. **Investment Objective 1:** Provide school accommodation and infrastructure that is safe and healthy.
2. **Investment Objective 2:** Supply sufficient teaching spaces for the local Year 9 - 15 school population.

Investment Objective 1	Provide school accommodation and infrastructure that is safe and healthy
Existing Arrangements	Existing college facilities have substandard safety and earthquake standards.
Business Needs	Address the provision of teaching spaces that are safe and healthy for the occupants.

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Potential Scope	<p>Minimum scope: Repair the existing defects, once these have been fully defined with accurate cost estimates prepared.</p> <p>Potential scope: Rebuild the colleges at a green field site.</p>
Potential Benefits	<p>Improved environment, improved H&S, reduced repair and maintenance costs.</p> <p>Achieving this investment objective will provide the following benefits to the involved parties:</p> <p>The Ministry: the school buildings provided are safe and healthy; reduced cost of repairs and maintenance</p> <p>Teachers: safe, healthy teaching spaces; reduced ongoing works at the school</p> <p>Students: safe, healthy learning spaces; reduced ongoing works at the school</p> <p>The local community benefit from the potential provision of new school facilities</p>
Potential Risks	<p>Works need to be carefully planned to maintain operation of the schools.</p> <p>Scoping of works needs to be defined in order to establish budgets.</p> <p>Expertise of management and contracting delivery.</p>
Constraints and Dependencies	<p>Funding and other commitments.</p> <p>Consenting.</p> <p>Roll growth and ILE dependencies.</p>

Investment Objective 2	Supply sufficient teaching spaces for the local Year 9 to 15 old population
Existing Arrangements	<p>Teaching space surplus at present.</p> <p>Minimum roll growth projected, if any, through until 2026.</p>
Business Needs	<p>Address the provision of teaching spaces to meet the colleges' existing and projected demand over time.</p>
Potential Scope	<p>Base Scope: Undertake appropriate remediation works to existing buildings at each college to address immediate need for a safe and healthy learning environment and retain buildings for use</p> <p>Potential Scope: Provide infrastructure and accommodation, in the form of new co-located or co-educational colleges on the site of one of the existing Colleges or at a greenfield site (yet to be identified or acquired)</p>
Potential Benefits	<p>Achieving this investment objective will provide the following benefits to the involved parties:</p> <p>The Ministry: Supply matched to demand with infrastructure and planning to meet long term Network growth requirements</p> <p>Local community: Provision of a safe and healthy learning environment</p>
Potential Risks	<p>Roll growth basis / Population statistics /accuracy of long term roll projections – projected roll numbers do not eventuate.</p>
Constraints and Dependencies	<p>Economic outlook, statistics. Building condition and availability for use. Roll trend and network capacity. Availability of a suitable or green field site and obtaining an RMA designation.</p>

Table 3 | Investment Objectives

Quantitative assessment

The following table provides a summary of the shortlisted options together with high level cost estimated for each option.

Short List Options Summary		B1: Remediate	B2: Core Upgrade	B3: Advanced Upgrade	C1: Rebuild Co-locate
Option Costs (\$M)	Capital Costs	[REDACTED]			
	Life Cycle Costs	[REDACTED]			
	Net Present Value	[REDACTED]			
Property Investment Objectives	Safe Healthy Environment	✓	✓	✓	✓ s 9(2)(j) OIA
	Sufficient Capacity	✓	✓	✓	✓
Opportunities and Benefits	Building Upgrades	✗	partial	✓	✓

Table 4 Summary of the quantitative analysis of the Short List Options

The shortlist options quantitative analysis considers fulfilment of the quantitative investment objectives, principle option risks, and the capital and life cycle costs of each option.

The key findings from the quantitative assessment of options are:

- The Remediate option addresses the schools' condition issues including weather-tightness and structural strength, and maintains the schools' current capacity levels meeting current and projected capacity needs.
- The Core Upgrade option, which provides building remediation and core ILE upgrades, addresses the school's condition issues including weather-tightness and structural strength, provides some modernisation in the form of core ILE, and maintains the schools' current capacity levels meeting current and projected capacity needs.
- The Advanced Upgrade, option, which provides building remediation and advanced ILE upgrades, addresses the school's condition issues including weather-tightness and structural strength, provides modernisation in the form of full advanced ILE, and maintains current capacity levels meeting the schools' current and projected capacity needs.
- The Rebuild Co-located Schools option provides new facilities for both schools, including some shared facilities, and provides opportunity to better meet the qualitative benefits discussed below.

In considering the options above from a quantitative value for money analysis, the Core Upgrade option (B2) represents the best solution to meet the needs of the school property at both Colleges in line with ministry infrastructure strategies and objectives. Specifically this option:

- Addresses the schools' property condition issues;
- Provides the schools with capacity to meet their current and projected needs;
- Provides some modernisation through core upgrades; and a business as usual approach to longer term upgrade and modernisation of the school facilities, balancing the needs of these schools with the needs of others.

Qualitative assessment¹

The following section considers the above options in terms of how well they meet the qualitative benefits of the overall education service.

The Ministry's key objective is to raise achievement for all students. Neither of these schools has reached the 85% NCEA Level 2 target and overall Marlborough Boys' College's achievement is below Marlborough Girls' College's achievement.

The Ministry also aims to strengthen educational pathways, particularly from secondary into tertiary education, to help young people into further education, training and employment following the conclusion of their compulsory education years. The location of the tertiary provider in Blenheim, Nelson Marlborough Institute of Technology (NMIT) is some distance from both Colleges. This limits the ability of the provider to effectively provide secondary-tertiary programmes. If option C1 (rebuild/re-locate) is approved it is proposed that NMIT would also relocate onto a site close to the new Colleges' site.

Co-location was preferred by the Boards and the community as it would allow enhanced collaboration, which is considered to be a lever to raise achievement in both Colleges. Collaboration between the Colleges is currently limited by the distance. The Ministry considers that co-location would increase opportunities for collaboration in the following ways:

- o It would provide for a wider breadth of curriculum as the schools could share specialist facilities and teachers. The Boards could choose to combine classes, especially where there would have been smaller numbers of students previously or for subjects students may have accessed only via correspondence learning. The Ministry would expect timetables between the two schools to be shared to maximise this opportunity.
- o It would provide the opportunity to offer both single sex and co-educational secondary classes. There are no co-educational secondary opportunities in Blenheim currently and parents must enrol their children in one of the two Colleges if they wish to access secondary provision in the town.
- o It would provide the opportunity to provide more tailored academic and pastoral support for Māori and Pasifika students. These students are part of the Ministry's priority learners, and are smaller cohorts of both schools' populations. These groups are performing below their New Zealand European and Asian counterparts. A larger critical mass of both cohorts, through co-location, would bring opportunities for effective resourcing which do not exist at the separate Colleges. These opportunities may include bi-lingual and immersion te reo Māori and Pasifika language classes. This would support both schools to lift their student achievement for these target group students.

The Ministry notes that Marlborough Boys' and Marlborough Girls' Colleges have formed a Community of Schools (CoS) with primary schools in Blenheim, which will offer opportunities to collaborate towards an educational goal. Relocation would offer an opportunity for more enhanced collaboration between the two Colleges than is possible just through the CoS. This is possible because the schools would be working together on a day to day basis, sharing classes and facilities.

NMIT has indicated that a closer collaboration with the Colleges would be preferable and it would consider being co-located with, or sited in close proximity to, the Colleges. Its current location in Blenheim compared with the Colleges limits effective collaboration. This would provide stronger secondary-tertiary partnerships and help to strengthen the learning pathway from compulsory education into further education, employment or training.

¹ The information provide in this section was derived from the Network Team within Sector Enablement and Support (SE&S)

One of the main disadvantages of the options B1, B2 and B3 is that the schools would remain on their existing sites and therefore distance between the schools limits collaboration and to some extent becomes a barrier to promote increased collaboration. The schools cannot share classes, facilities and teachers, which is a common practice in single-sex secondary schools across New Zealand.

Without additional funding, Option B2 limits collaboration between the Colleges and the opportunities to share specialist facilities and teaching resources. The Boards have stated that if the schools remain in their current locations they will seek additional staffing and transport support from the Ministry so that classes and facilities can be shared. The Ministry would also need to work with the schools to ensure that secondary-tertiary pathways are strengthened by considering how the schools can collaborate more effectively with NMIT.

Short List Options Summary		B1: Remediate	B2: Core Upgrade	B3: Advance Upgrade	C1: Rebuild Co-locate
Education objectives	Supports collaboration	✗	✗	✓	✓
	Potential for raised student achievement	X	✓	✓	✓
	Support for Priority learners	X	X	X	✓
	Stronger Secondary-Tertiary pathway	X		X	✓

Table 5 summary of the qualitative analysis of the shortlisted options

2.3.1 Alignment to Existing Strategies

The investment objectives align to The New Zealand School Property Strategy 2011 – 2021 and the Vote Education Report on Capital Intentions 2011 – 2020 which define the Ministry's intention in regards to future property investments. The current and intended programmes of work include:

- Building Improvement Programme (Defective Buildings);
- Christchurch Schools Rebuild Programme;
- Earthquake Resilience Programme;
- Modern Learning Environments; and
- Major Investments Programme.

Collectively, the above are referred to as the School Rejuvenation Programme and develops a framework for considering all property issues, in the context of all issues that the Ministry is dealing with.

3 Economic Case

3.1 Critical Success Factors

This section establishes the Critical Success Factors which will be used to evaluate the long list of options. The focus is to identify the elements which are crucial to the delivery of benefits from the project.

There is a risk when evaluating the performance of assets to focus solely on structural and construction issues. However, the eventual solution is likely to incorporate a mix of initiatives including: asset remediation, stakeholder management, information collection and financial structuring. The evaluation of options therefore needs to address not only which option is preferred, but why it is preferred and whether there are initiatives which will support its delivery. The Critical Success Factors are a key element to this analysis.

The following table outlines a summary of Critical Success Factors and the Assessment Framework to be considered in addition to the investment objectives, benefits and risks.

Critical Success Factors and Assessment Framework		
Ref	Critical Success Factors	Assessment Framework
1	Strategic Fit and Business Needs	<ul style="list-style-type: none"> • Providing safe and healthy built environments. • Providing capacity in a timely and cost effective manner; minimising surplus capacity. • Meeting the related business needs and service requirements. • Optimising the whole-of-life cost of school accommodation. • Providing a long term, integrated network approach to education delivery.
2	Market Capability and Capacity	<ul style="list-style-type: none"> • Clear communication of the expectations on the provision of quality buildings. • Identification of quality private sector providers for the long term.
3	'Future proofing' and delivering quality in the design	<ul style="list-style-type: none"> • Planning processes that allow for a long-term, network-wide view. • Design processes which allow for setting minimum standards and continuous improvement. • Procurement processes which allow flexibility in the redevelopment of the assets to include additional capability.
4	Potential Achievability	<ul style="list-style-type: none"> • Ability to achieve the objectives without capacity concerns elsewhere within the network. • Addresses potential unknowns which may significantly alter the scope. • Ability to be delivered without interrupting teaching activities/student's continuous education. • Competition when engaging with the private sector which drives cost-effective delivery.

Table 6 | Critical success factors and assessment framework

3.2 Identifying the Long List of Options

Given the status of the current community consultation exercise together with limited design and master planning activity, significant costs have already been incurred which in isolation should not preclude a full options review, however strategies focussing on the existing sites have been adopted due to the absence of detailed financial and technical information with regard to the new build options. As a result Network and site relocation options have been discounted from this study.

Within the potential scope of this proposal, the following long-list options for providing the identified services have therefore been identified by key stakeholders.

In determining the long list of options to respond to the drivers and achieve the investment objectives, three main approaches have been considered, namely:

- A. Business as Usual (BAU)
- B. Renovate Existing
- C. Rebuild

Within these approaches a number of options exist. The long list of options is summarised in the following table, with descriptions of the options scopes provided below.

Drivers →	Investment Objectives →	Approach	Option	
		BAU →	A	Business As Usual (BAU) Remediate – No Upgrade
		Renovate Existing	B1	Redevelop – Core ILE Upgrade
		Renovate Existing →	B2	Redevelop – Advanced ILE Upgrade
		Off-Site →	C1	Rebuild Offsite: Co-location of Separate Colleges

Table 7: Developing the Long List

The Long List:

- **Option A1: BAU:** under this option no specific project works are undertaken and the schools' property remediation needs are addressed through the Ministry's BAU programmes and funding. This will address:
 - Health and safety and essential infrastructure issues at the existing schools, including seismic strengthening and weather-tightness remediation of buildings. No modernisation or provision for roll growth.
- **Option B1: Redevelop – Core ILE Upgrade:** upgrade and modernisation of existing school property, including seismic strengthening and weather-tightness remediation. No provision for roll growth.
- **Option B2: Redevelop – Advanced ILE Upgrade:** upgrade and modernisation of existing school property, including seismic strengthening and weather-tightness remediation. No provision for roll growth.
- **Option C1: Rebuild Offsite Co-locate:** New build of two co-located Colleges on a suitable or green field site.

3.3 Identifying the Shortlist

The long list of options above has been assessed against the Investment Objectives and the Opportunities and Benefits to identify the short list of options to be taken forward for further economic assessment.

Criteria Category	Assessment Criteria	Current State ²	A1: Remediate Existing	B1: Redevelop Existing (Core ILE Upgrades)	B2: Redevelop Existing (Advanced ILE Upgrades)	C1: Rebuild Offsite Co-Location
IO 1: Health & Safety	Weather-tightness	X	BIP (5YA)	✓	✓	✓
	Building Deterioration	X	PMG 5YA	✓		✓
	Seismic (short term goal)	X	EQR	✓		✓
	Services & Site Infrastructure (H&S)	unknown	PMG 5YA	✓	✓	✓
	Hazardous Materials	unknown			unknown	
	Environmental	unknown			unknown	
IO 2: Capacity	Capacity	✓ 2,000	IG	✓	✓	✓
Opportunities & Benefits	Seismic (medium term goal)	unknown	5YA	✓	✓	✓
	Modern Learning Environments		5YA	✓	✓	✓
	Collaborative Education Provision	X	X	X	X	✓
	Option Capital Cost (\$M) ³	-				
	Progress to Shortlist	-	X	✓	X	✓

Table 8 Identifying the long list options

Not Addressed

Addressed

Unknown

3.4 The Shortlist

On the basis of the initial assessment of the long-list options and following consultation with the Ministry the following short-listed options have been selected for further economic analysis:

² The current state of the existing school property has been assumed based on the scope to remediate;

³ The costs provided by the Ministry for options A1, B1, B2 and C1 are assumed to exclude fees and contingencies.

⁴ Cost derived from SPG calculator, excluding fees and contingency for consistency with other option costs.

Short List Options Summary		A1: Remediate Existing	B1: Redevelop Existing (Core ILE Upgrades)	C1: Rebuild/ Co-locate
Option Costs (\$M)	Capital Costs			\$ 9(2)(f) OIA
	Life Cycle Costs			
	Net Present Value			
Investment Objectives	Safe Healthy Environment	√	√	√
	Sufficient Capacity	√	√	√
Opportunities and Benefits	Building Upgrades	×	partial	
	Collaborative Education	×	×	√

Table 9 Summary of the Short List Options

3.5 The Preferred Option

Each of the options has been evaluated for their performance against:

- Net present value of estimated whole of life costs;
- The investment objectives; H&S, capacity;
- The potential benefits; ILE, potential for future options
- The critical success factors; and
- Project risks.

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	Analysis Criteria	A1: Remediate Existing	B2: Redevelop Existing	C1: Rebuild Offsite Co-locate
Option Costs	Appraisal Period	S 9(2)(j) OIA		
	Capital Costs ⁵			
	Life Cycle Costs ⁶			
	Net Present Value ⁷			
Investment Objectives	Safe Healthy Environment	<p>Weather-tightness / Building Deterioration: remediation works scoped through the Building Improvement Programme are completed. It is assumed that these works will resolve all weather-tightness defects at both schools. It is unclear from the information provided if the building issues are a result of fundamental weather-tightness failure or building deterioration.</p> <p>Seismic Strength (Short Term): strengthening works scoped through the Earthquake Resilience Programme are completed. It is assumed that these works will bring all buildings at both schools to above 34%NBS.</p> <p>Infrastructure & Services: no condition information has been provided for the schools' infrastructure and services. It is assumed there are no significant condition issues.</p> <p>Hazardous Materials: no hazardous materials information has been provided for the schools. A hazardous materials investigation is recommended for each school, any resulting instances of hazardous materials should be planned for in the remediation works planned for the school, and any resulting medium and high risk hazardous materials issues should be addressed.</p> <p>Environmental: no environmental information has been provided for the schools. Preparation of an environmental report for each school, and resolution of any resulting medium and high risk issues is recommended.</p>	<p>Weather-tightness / Building Deterioration: remediation works scoped through the Building Improvement Programme are completed. It is assumed that these works will resolve all weather-tightness defects at both schools. It is unclear from the information provided if the building issues are a result of fundamental weather-tightness failure or building deterioration.</p> <p>Seismic Strength (Short Term): strengthening works scoped through the Earthquake Resilience Programme are completed. It is assumed that these works will bring all buildings at both schools to above 34%NBS.</p> <p>Infrastructure & Services: no condition information has been provided for the schools' infrastructure and services. It is assumed that any issues would be resolved through the redevelopment project.</p> <p>Hazardous Materials: no hazardous materials information has been provided for the schools. A hazardous materials investigation is recommended for each school, any resulting instances of hazardous materials should be planned for in the redevelopment works planned for the school, and any resulting medium and high risk hazardous materials issues should be addressed.</p> <p>Environmental: no environmental information has been provided for the schools. Preparation of an environmental report for each school, and resolution of any resulting medium and high risk issues is recommended.</p>	<p>Weather-tightness / Building Deterioration: new buildings for both schools will meet current Building Code requirements.</p> <p>Seismic Strength (Short Term): new buildings for both schools meet current Building Code requirements.</p> <p>Infrastructure & Services: new site infrastructure and building services meet Building Code requirements and Ministry standards including DQLS.</p> <p>Hazardous Materials: no hazardous materials information has been provided for the schools. A hazardous materials investigation is recommended for each school, any resulting instances of hazardous materials should be planned for in the works, particularly demolition, planned for the school.</p> <p>Environmental: no environmental information has been provided for the schools. Preparation of an environmental report for each school is recommended such that any environmental concerns for the site can be planned for in the proposed site works.</p>

⁵ Assumed to exclude fees and contingency.

⁶ Estimated long term maintenance costs based on the school's Property Maintenance Grant (PMG) and 5 Year Agreement (5YA) funding.

⁷ Using treasury rate of 8%

Analysis Criteria	A1: Remediate Existing	B2: Redevelop Existing	C1: Rebuild Offsite Co-locate
Sufficient Capacity	Teaching Space: both schools have sufficient teaching space for their current rolls. Roll projections for the schools are for some fluctuation with peaks remaining under the recent roll peak of approximately 2,000 students between the two schools.	Teaching Space: both schools have sufficient teaching space for their current rolls. Roll projections for the schools are for some fluctuation with peaks remaining under the recent roll peak of approximately 2,000 students between the two schools.	Teaching Space: rebuilt schools to be appropriately sized for school rolls and roll projections.
Potential Benefits	Medium Term Building Upgrades	Seismic Strength (Medium Term): the level of compliance of the existing buildings and the level of compliance achieved through the EQR works is unclear. It is assumed that some buildings may remain below the Ministry's medium term goal for seismic strength 67%NBS to be strengthened by the schools overtime funded through 5YA – refer to life cycle costing. ILE: no modernisation is provided through capital project works. Upgrade and modernisation of the buildings, including provision of ILE, is undertaken by the school over time, funded through 5YA – refer to life cycle costing.	Seismic Strength (Medium Term): the level of compliance of the existing buildings and the level of compliance achieved through the EQR works is unclear. It is assumed that within the redevelopment scope that all medium term building upgrade works will be completed, including strengthening to 67%NBS. ILE: core upgrade and modernisation works are undertaken for the existing school buildings as part of the project capital works. ILE: further advanced ILE, DQLS and core upgrade is provided.
	Collaborative Education Provision	Collaborative Education Provision: the opportunity for co-education / co-location / shared facilities between the two Colleges is not realised.	Collaborative Education Provision: the two Colleges are co-located on the same site allowing sharing of school facilities and collaboration between the two Colleges.
Overall			Preferred Way Forward

Table 10 Short List Options Analysis

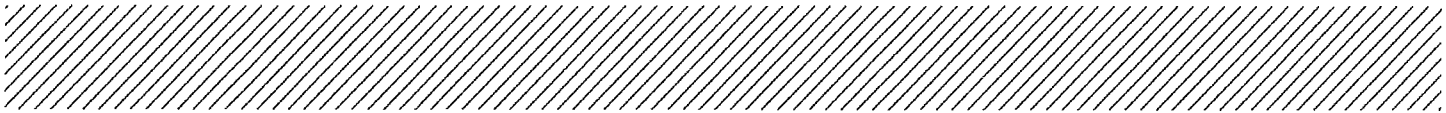
The key findings from the options analysis are:

- The Remediate Existing option addresses the schools' condition issues including weather-tightness and structural strength, and maintains the schools' current capacity levels meeting the schools' current and projected capacity needs.
- The Redevelop Existing option with Core ILE Upgrades addresses the school's condition issues including weather-tightness and structural strength, provides some modernisation, and maintains the schools' capacity levels to meet current and projected capacity needs.

The Rebuild Offsite Co-locate option provides new facilities for both schools, including some shared facilities, which meet current code requirements and Ministry standards, including ILE and DQLS, and provides opportunity for the schools to collaborate in their provision of education.

Of the shortlist options it is considered that Option B2 Remediate Existing with Core ILE Upgrade:

- Addresses the schools' property condition issues;
- Provides the schools with capacity to meet their current and projected needs; and
- Provides a business as usual approach to the medium term upgrade and modernisation of facilities, balancing the needs of these schools with the needs of others.



As such Option B2: Remediate Existing with Core ILE Upgrades is the preferred Property option as it represents a value for money solution to the needs of the school, in line with Ministry strategies and objectives and balances the needs of these schools with the needs of others.

However, given the clear advantages to the continued provision of Secondary education in the area, this is not the preferred option.

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4 Commercial Case

4.1 Introduction

The commercial case considers the procurement strategy, a procurement plan and timetables, procurement risk, and payment mechanisms. The following table outlines the consultants engaged recently to undertake condition assessment and prepare cost estimates for remediation works.

Consultant	Report	Headlines
Martin Watson May 2015	Condition Assessment and ILE Review	Extensive building defects and issues apparent. High level scope of work provided for: • Required remediation works • ILE Upgrades
Maltbys April 2015	Rough Order of Cost Estimate	High level cost estimates for: • Core ILE • Advanced ILE

Table 11 | Consultant overview

4.2 Procurement Strategy

It is understood that the required remediation works to both the Boys and Girls Colleges will be addressed as 'business as usual' with the Ministry utilising internal resources to plan and manage these works. This may involve BIP and EQW within the overall EIS function.

4.3 Procurement Plan

The following table illustrates an indicative timetable for procurement activities to deliver the preferred option once the scope of remediation works has been defined, cost plan fixed and the design developed to tender stage.

Procurement Timetable	
Task	Duration
Contractor ROI process	1 month
Review ROI/select contractor RFP shortlist	1 month
Contractor RFP tender period & interviews	2 months
RFP Review	1 month
Award Building Contract	1 month
Construction works (estimated)	30 months

Table 12 | Procurement timetable

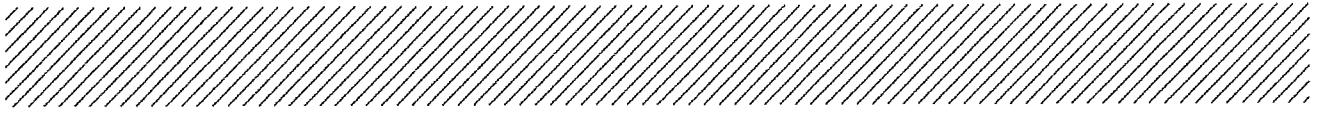
4.4 Procurement Risk

The Ministry adopts proactive planning initiatives which identify possible risks and develop robust risk/contingency planning methodology for each risk. The table below summarises an assessment of identified procurement risks, the likelihood that they will materialise, and mitigations to manage them should they become issues that may impede progress of the project.

Risk	Likelihood	Impact	Mitigation
The design cost estimates exceed budget	Possible	Additional funding will be required or the project will need to be value engineered (additional time)	Robust design management and continual value management with cost estimate reviews by the quantity surveyor at key milestones. Allowance for contingencies from the outset to be firmed up as design progresses
Limited response to ROI/RFP process	Unlikely	Project will not proceed without a competent contractor or consultants	Early market scoping and market awareness. Robust supplier vetting in terms of current workload and financial standing
Tender prices exceed budget	Possible	Additional funding will be required or the project will need to be value engineered (additional time)	Accuracy in design and budgeting. Site investigations during design to reduce risk of unknowns. Careful selection of tender list. Allowance for construction contingencies
Dispute over contract terms	Unlikely	Prolongation of contract negotiations will impact the start date and may result in deferring to alternative suppliers	Issue of contract terms and conditions early in RFP stage. Reduce amendments to a minimum

Table 13 | Procurement risks

Of the procurement risks in the table above, the most significant are the cost escalation risks which can be managed through a process of robust design and value management, utilising the extensive reports produced to date to minimise the risk of potential showstoppers once works commence,



considering an enabling package for site infrastructure works, and resilient quantity surveying practices from design through to delivery.

Quantity surveyors have prepared the budgets (which are being used as the basis of this proposal). This mitigates the risk of cost overruns and delays to the project while funding approvals are sought. The budgets include contingencies to give the Ministry a small amount of flexibility to manage some of the cost pressures that may be encountered.

4.5 Contract and Payment Mechanisms

The objective of adopting clear contractual terms and payment mechanisms is to ensure that the incentives of all parties are aligned to meet the objectives of the Ministry and to maximise value for money in the delivery of the project.

Consultants will be engaged directly by the Ministry using standard forms of consultant appointment with lump sum fees to be fixed and payment based on monthly cash flows within project milestones.

The procurement of the main contractor or selected specialist contractors will proceed using the Ministry's standard contracts, which are based on the NZS conditions of contract for building and engineering construction with Special Conditions. Any enabling works package(s) must be allied contractually to the main contract works. Due to the nature and complexity of the works and the level of design proposed a lump sum fixed-price contract basis is recommended which has the advantage of limiting exposure and liability for the costs of construction. During unforeseen conditions, changes to the scope of the work, or other circumstances that may be set forth in the agreement, the contractor is obligated to complete the work for the agreed contract sum and, conversely, the principal is not required to pay for any of the contractor's cost overruns. As a result, the total building cost can be predicted with reasonable certainty.

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5 Financial Case

This project is being funded from the Ministry's baseline funding. The estimated cost of the preferred option is \$63.16M. The works will be undertaken through the Building Improvement Programme and the Earthquake Resilience programme.

The costs involved in the BIP and EQR works will be funded through the existing funding streams for these programmes. No additional new funding is required to complete these works.

The following table estimates the expenditure over time.

s 9(2)(j) OIA




Table 14 | Projected expenditure over time

¹ retention @ 2.5%



The estimated project costs have been compiled for the preferred option remedial works and include allowances for durable external materials, site specific factors, and fees. Appropriate contingencies have been made for risks and uncertainties within the high level cost planning.

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6 Management Case

This section sets out the Ministry's project management approach, available resources and governance structure and identifies the roles and responsibilities of each project team member. The Ministry's organisational structure includes the Education Infrastructure Services (EIS) Group which is responsible for managing school property, and the Education, Curriculum and Performance (ECP) Group which is responsible for managing the schooling network and for establishing new schools. Both groups are supported by governance boards comprising internal senior managers and external expertise. Project management and delivery forms business as usual EIS and is already embedded within the culture of the Ministry. The New Schools Programme is run by a dedicated team within EIS which manages the procurement, design and construction of all of new schools.

The Ministry considers that this project will be addressed in accordance with the Ministry's existing management and governance arrangements. As such, in the event that this investment proposal receives formal approval, a project will be established to deliver the required services and will be managed using recognised project management methodology. This methodology is currently used by the Ministry to deliver all of its property projects and will ensure that project management and governance arrangements are transparent and lines of communication are clear.

6.1 Project Structure and Personnel

The Ministry is confident that it has the resources, capacity and capability to deliver this project within the proposed timeframes and funding restraints. The roles detailed within this section all relate to existing Ministry resources from within EIS. Responsibilities of the project resources are clearly defined and will be monitored by the Project Sponsor.

6.1.1 The Project Team

The structure of the Project Team will be established when approval has been obtained and the project allocated to a delivery programme. The Project Team will be responsible for the day to day execution of the project and all activities attributable to its delivery. This includes developing the scope and budget, working with the school's representatives, appointment and management of project consultants, and monitoring and management of the high level project risks and issues.

Name	Role
TBA	
TBA	

Table 15 | Project team membership

6.1.2 Project Consultants

The consultants engaged to provide services for the completion of this project will be managed under the Ministry's and the industry's standard contracts and business processes.

6.1.3 School Representatives

The school principal and board of trustees will be involved in design phases to confirm the remediated buildings will support the school's philosophy for teaching and learning. The Ministry and external project manager will also work closely with the school and its board throughout the construction to manage the impact of the construction works on school operations.

6.2 Project Stakeholder Engagement

At the heart of successful projects is effective communication and consultation to ensure key stakeholders are in support of, well informed of and take ownership of the project. As such, a stakeholder and communication strategy and plan will be developed by the Project Team and include:

- Analysis of the project stakeholders both internal and external to the Ministry, including their level of project interest and influence;
- Assessment of the opportunities, risks and mitigations in respect of engagement of stakeholders;
- Objectives, strategies and tools for engagement;
- Protocols and reporting, including mandatory approval processes, enquiry management, communication and media protocol, and reporting.

Once developed, the stakeholder and communication strategy and plan should be distributed to all project stakeholders to inform of the process adopted to address the issues with the school property stock. The project plan should be reviewed and updated throughout the project to confirm the operative strategies and activities.

6.3 Project Change Management

Change management is essential to the immediate and ongoing realisation of project benefits. Accordingly the internal project manager will own and lead the implementation of the Change Management Plan and monitor its implementation once it is developed.

The Change Management Strategy sets out the key programme drivers and specific objectives the Ministry aims to address through the project. It identifies the high level benefits of the change and assesses the readiness for change through an analysis of the key stakeholders, their impact and power. These form the basis for the development of the Change Management Plan.

6.4 Project Benefits Management

In undertaking this project, the Ministry has opportunity to realise a range of benefits, including:

- Improved long term outcomes through taking a site wide, long term view.
- Improved value for money through holistic design works and detailed value engineering.
- Improved quality of provision of school accommodation.
- Improved educational outcomes through the provision of modern learning environments that support 21st Century learning.
- Improved public perception and confidence in the school assets.
- Improved health, safety and wellbeing of users.

The greatest opportunity for maximising the potential benefits is most likely to take place during the planning and design phases, through facilitated workshops centred on stakeholders, design, and value engineering. However realisation of the benefits may not occur until after the project is completed and the buildings are in use, therefore measurement methods and processes will extend beyond completion of the capital investment.

A four step process to benefits management shall be adopted in line with recognised project management guidelines:

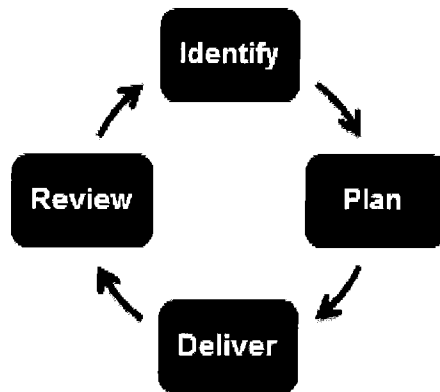


Figure 4 | Benefits management process

6.5 Project Risk Management

A project risk register will be developed and maintained throughout the project. Risks will be identified and managed based on the following process:

- **Identify.** Risks will be identified through project workshops and can be raised by anyone involved in the project. The external project manager will be responsible for recording the risks, assigning appropriate risk owners, tracking and monitoring risks and maintaining the project risk register.
- **Assess.** Risks will be assessed based on their likelihood and consequence. This will be reviewed by the Ministry's internal project manager.
- **Plan.** Mitigation plans and risk response strategies will be developed and recorded for risks with the objective of minimising or eliminating risk. Mitigation plans will be agreed by the Ministry project manager and assigned a risk owner.
- **Implement.** Risks will be continually monitored throughout the project by the external project manager and risk owners to evaluate the effectiveness of risk mitigation plans.
- **Communicate.** The external project manager will be responsible for reporting to the Ministry on project risks, to be included in the monthly reports. The Ministry project manager will be responsible for providing the project director, project sponsor and stakeholders, with an update on the project risks.

Identifying the Main Risks

	Risk Event	Impact (H/M/L)	Probability (H/M/L)	Risk Management Approach
1	Benefits less than estimated	H	M	Actively manage programme to monitor costs and benefits over programme period.
2	Ability to deliver to budget	H	M	Apply robust cost estimating and benchmarking exercise.
3	Consenting risk	M	L	Initial review favourable but need to build flexibility into planning process.

Identifying the Main Risks

	Risk Event	Impact (H/M/L)	Probability (H/M/L)	Risk Management Approach
4	Roll growth predictions do not materialise	M	M	Long term realised growth demonstrated. Design future proofed for flexibility.
5	Unforeseen structural or building fabric issues	H	L	Extensive investigation and reporting undertaken. Recommend enabling package for site works.
6	Cost escalation due to demands from the larger Auckland construction market	M	M	Early engagement with the market to ensure a suitable procurement strategy is applied.
7	Construction delays/contractor performance	M	M	Strong project management leadership and reporting.
8	Over design/long term maintenance obligations	M	L	Strong project/design management and value management.
9	Stakeholder engagement/communication	M	M	Agreed strategy for collaboration and communication.

Table 13 | Principle project risks

6.6 Project Reporting

The Ministry's internal project manager will be responsible for reporting to the project director on progress of the project, achievement of scope and quality, risks and issues, and alignment to the programme, budget and Development Compliance Framework.

Where required, project information will be reported to the wider Ministry group through existing reporting arrangements; the New Schools Programme reports monthly progress to the EIS governance boards and the Ministry provides quarterly updates on major work programmes in the school property portfolio to Ministers.



7 Next Steps

Through this business case we recommend approval to approach the market for services and to progress the implementation of the preferred two co-located colleges outlined above as Option C1.

Implementing the preferred remediation option will entail:

- Communications with the school and community on the selected option and plans moving forward;
- Confirm the project brief and final investment decision;
- Oversight of the design development phases to ensure the proposed design fulfils the investment objectives, complies with the Ministry's requirements and standards, and does not exceed the project budget and timelines;
- Completing the procurement of the project contractor(s), as outlined in the Commercial Case; and
- Management and governance of the project(s) through to completion as outlined in the Management Case.

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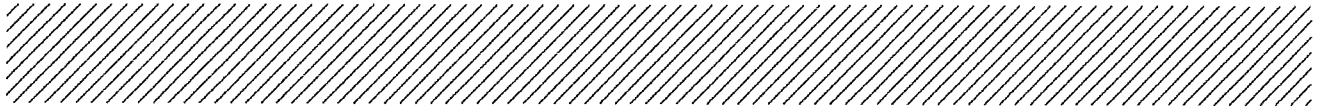


Appendix A

Site Block Plan

Co-located Colleges - Concept Master Plan

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Appendix B

**Demographic Analysis (1219) July 2014 (Update to May 2012
Report)**

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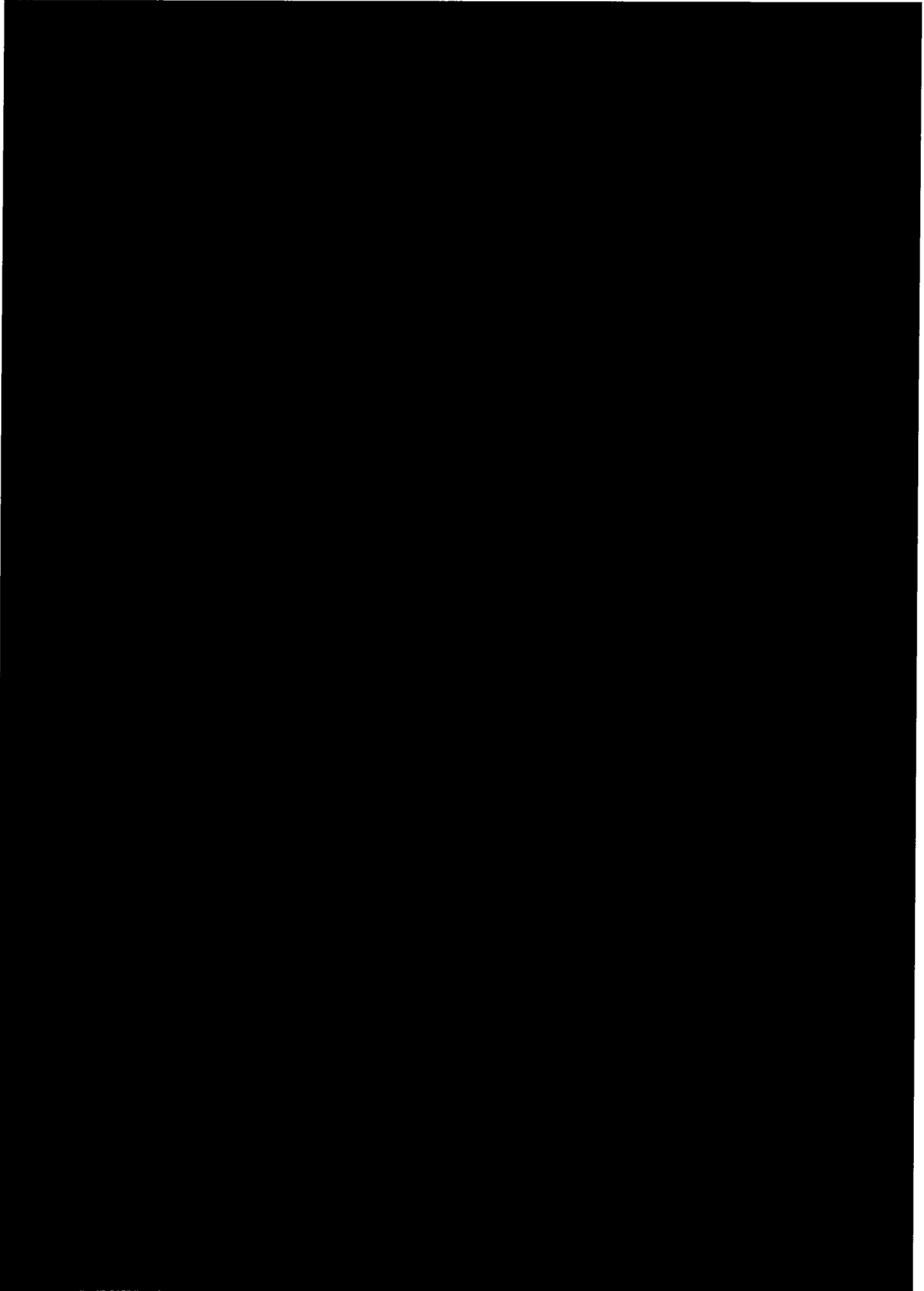
Appendix A

Site Block Plan

Co-located Colleges - Concept Master Plan

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Appendix B

**Demographic Analysis (1219) July 2014 (Update to May 2012
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Marlborough Boys' and Marlborough Girls' Colleges: Secondary School Rolls and Projections

Prepared August 2014; RLAN, SR, MOE

Purpose

This paper provides historical rolls and projections for Marlborough Boys' and Marlborough Girls' Colleges.

Data

The following data has been used:

- Historical March rolls 2006-2014
- July 2013 student address data
- Statistics NZ 2006 based CAU population projections (2009 intercensal – medium variant)¹
- 2014 capacity calculations (teaching space counts as at December 2013 and March 2014 rolls)

Network status

There are four schools providing secondary schooling in the Marlborough District (Map 1). The following data is for the single sex colleges in Blenheim.

School	Type	Site area (hectares)	Teaching spaces	Student spaces (capacity)	March 2014 roll	Surplus/ Deficit student spaces
Marlborough Girls' College	Secondary (Y9-15)	8.5 ²	54.5 ³	1066	977	89
Marlborough Boys' College	Secondary (Y9-15)	4.4 ⁴	50	961	919	42

Based student address data collected in July 2013, 95% of Year 9-15 students residing in Marlborough District attended one of the four local schools.

Rolls and projections

The following chart shows the aggregated school roll projections for the single sex colleges⁵.

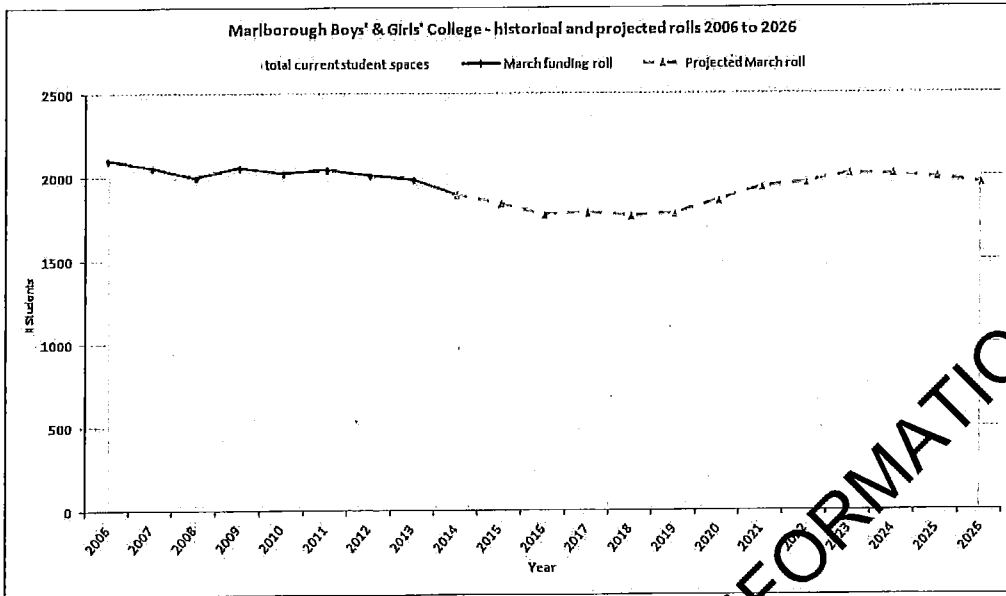
¹ 2013 based projections for school age population are expected during the first half of 2015

² Includes land formerly occupied by Innes House

³ Based on Crown funded teaching spaces and excludes temporary teaching spaces.

⁴ This excludes College Park which is approximately 4.34 hectares.

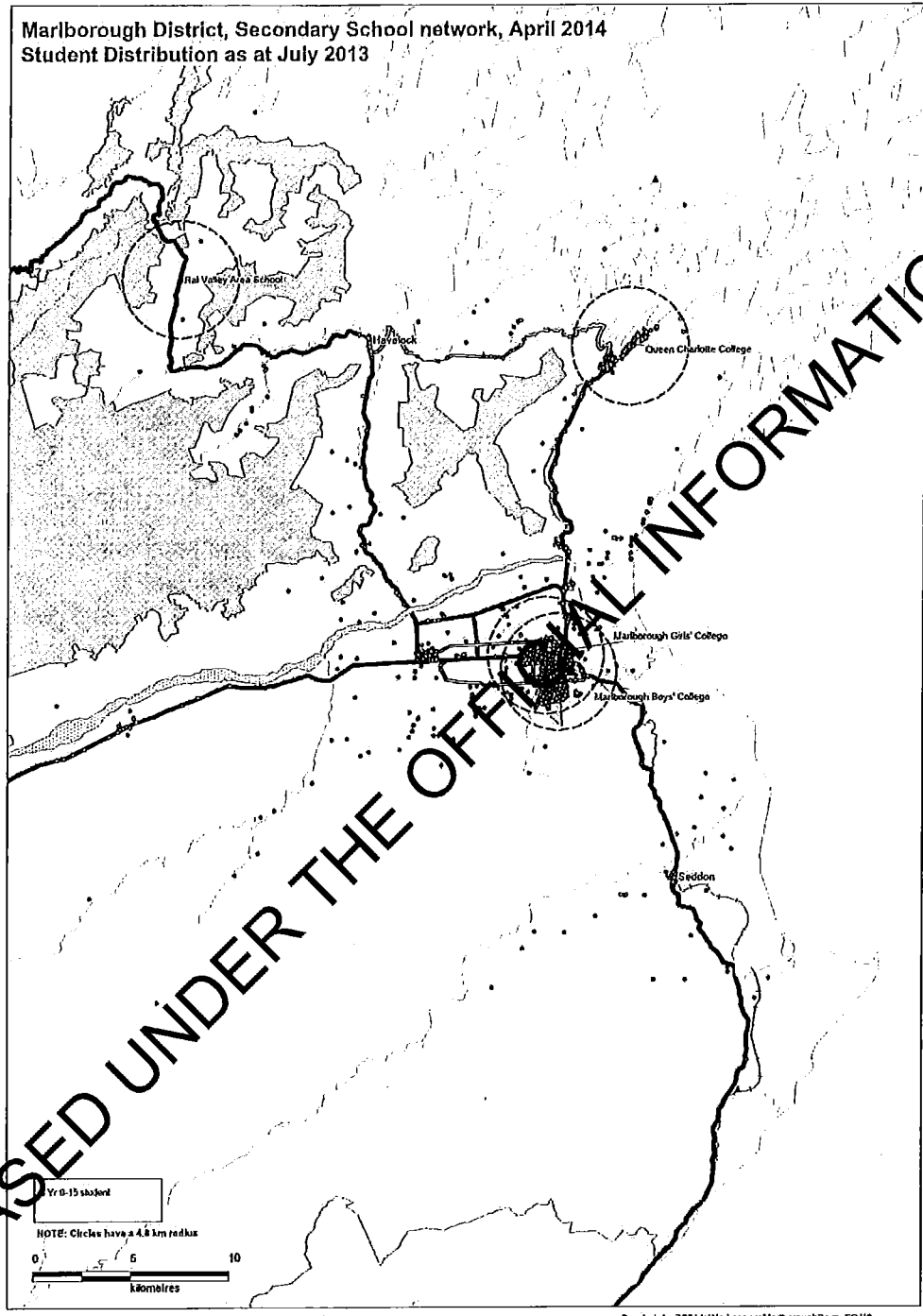
⁵ These projections have been based on the March 2014 roll. The projected percentage change in population the 13-17 yr old cohort, under the medium variant, has been applied to the March 2014 roll to generate the projected roll out to 2026.



According to current school age population projections for the Marlborough District, over the long term the aggregated roll for the two colleges is expected to remain relatively stable. The dip in the projected roll through to 2019 reflects the decline in the secondary age population, preceding gradual growth as the current peak in the primary age population moves through to secondary schooling.

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MAP 1



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