

Chair

Cabinet Government Administration and Expenditure Review Committee

Marlborough Boys' and Girls' Colleges Co-location – Outcome of options review

Proposal

1. This paper advises Cabinet of the outcome of the recent review of options to progress the co-location of Marlborough Boys' College and Marlborough Girls' College in Blenheim.
2. The paper seeks Cabinet's approval of a proposed way forward which will enable the Ministry to co-locate the Colleges. The paper also seeks delegations to myself and the Minister of Finance to approve the final project budget once the exact solution to be delivered is known.

Executive summary

3. In October 2015, Cabinet approved the co-location of Marlborough Boys' and Girls' Colleges on a new site in Blenheim, at an estimated cost of \$63.2 million, as part of a suite of major school property redevelopments totalling \$251.4 million [SEC-15-MIN-0017 refers].
4. Earlier this year I was advised that the Ministry of Education has faced significant difficulties in acquiring a suitable site on which to co-locate the Colleges. In addition, I was advised that there had been significant cost escalation since 2015 and that the cost to co-locate the Colleges was now estimated to be in excess of \$100 million.
5. In response, I directed the Ministry to review the business case options for the co-location, including any other feasible options, and confirm whether co-location was still the preferred option.
6. As part of this process the Ministry has worked closely with the Colleges on a proposed way forward. The Ministry has also engaged with Bohally Intermediate, situated adjacent to Marlborough Girls' College, as the Colleges suggested that the option of co-locating on the combined Marlborough Girls' College and Bohally Intermediate site be considered as part of the review.
7. The Ministry has now reviewed all options available to progress this project and this paper presents a proposed way forward that is supported by the Colleges and Bohally Intermediate which, if approved, will enable the delivery of the co-location.

Option 1 – Colleges co-locate on greenfield site

- Estimated cost: s 9(2)(j) OIA
 - Estimated completion: s 9(2)(j) OIA
8. The Colleges' and Ministry's preferred option remains co-locating to a greenfield site. It is the lowest cost option, is the fastest to deliver and would have the least disruption on students' learning. However, all parties recognise that securing an appropriate greenfield site has been challenging and this process cannot continue indefinitely. s 9(2)(j) OIA s 9(2)(j) OIA
9. The Ministry has worked with both Colleges to identify s 9(2)(j) OIA for co-locating the Colleges. s 9(2)(j) OIA prioritised for further investigation as part of the Ministry's initial site identification process undertaken in 2016 as there were more suitable sites identified. However, as negotiations for the prioritised sites were ultimately unsuccessful, the Ministry believes these s 9(2)(j) OIA now represent the best chance to secure a greenfield site on which to co-locate the Colleges. s 9(2)(j) OIA
10. I therefore propose that the Ministry progresses acquisition activities for these s 9(2)(j) OIA s 9(2)(j) OIA for the next three months, until the end of the year. If at that point neither site has been acquired, or no deal is imminent, the Ministry will progress to co-locating the Colleges on the combined Marlborough Girls' College and adjacent Bohally Intermediate site.

Option 2 – Colleges co-locate on current Marlborough Girls' College/Bohally Intermediate site. Bohally Intermediate relocates to greenfield site

- Estimated cost: s 9(2)(j) OIA
 - Estimated completion: s 9(2)(j) OIA
11. Under this scenario, Bohally Intermediate would need to be relocated as the combined site cannot adequately accommodate all three schools. The Ministry has discussed this approach with Bohally Intermediate's Principal and Board of Trustees and they have agreed to relocate if required.
12. Bohally Intermediate's preference is to be relocated to a greenfield site if the Colleges are co-located on the combined Marlborough Girls' College and Bohally Intermediate site. The Ministry and Bohally Intermediate s 9(2)(j) OIA potential sites and the acquisition activities for these sites will be undertaken concurrently with those for the College site.

Option 2A – Colleges co-locate on current Marlborough Girls' College/Bohally Intermediate site. Bohally Intermediate relocates to current Marlborough Boys' College site

- Estimated cost: s 9(2)(j) OIA
 - Estimated completion: [REDACTED]
13. If a greenfield site for Bohally Intermediate cannot be acquired, or no deal is imminent, by the end of the year, the Ministry will progress co-locating the Colleges on the Marlborough Girls' College and Bohally Intermediate site with Bohally relocated to the current Marlborough Boys' College site. Due to the poor condition of Marlborough Boys' College it is likely that the majority of the existing buildings would be demolished and Bohally would move into, for the most part, brand new buildings and infrastructure.
14. s 9(2)(f)(iv) OIA [REDACTED]
15. s 9(2)(f)(iv) OIA if it becomes apparent there is little interest from the relevant landowners in selling land to the Ministry, the Ministry will abandon the site acquisition process and progress Option 2A ahead of the end of year deadline.
16. All construction costs will be met from Ministry baselines. Any land acquisition costs will met from the Ministry's balance sheet and the Ministry will seek to have these costs reimbursed by Treasury via the Budget process, as is standard practice. All three options have been costed and the costing methodology has been reviewed by KPMG. I am confident these cost estimates are significantly more accurate than those presented to and approved by Cabinet in 2015.
17. I am seeking Cabinet's agreement to the proposed approach outlined above. I am also seeking delegated authority to myself and the Minister of Finance to approve the final project budget once the option to be progress is confirmed, up to a maximum of [REDACTED] funded from baselines.
18. If approved, I intend to make a public announcement detailing the proposed approach to the delivery of the co-location to provide the local community and landowners with clarity and transparency.

Background

19. Marlborough Boys' College and Marlborough Girls' College are in poor physical condition and no longer support the schools' learning visions. Ministry of Education investigations into the current state of the two Colleges have identified a number of deficiencies, including deterioration and weather-tightness issues.
20. In addition, the Colleges are located more than two kilometres apart, limiting the ability for staff and students to interact on a daily basis and offer a full range of subjects to senior students. Neither school has a technology block, so at present

students travel to the Nelson Marlborough Institute of Technology (NMIT) in Blenheim for technology tuition.

21. Significant investment is required to provide a safe, robust and fit for purpose quality learning environment which facilitates 21st century learning. The Colleges are the only state secondary schools in Blenheim.
22. Given the level of investment required, in 2014, both boards of trustees undertook community consultation on the future of secondary schooling in the area. The feedback received showed that the majority of the community (63.5%) favoured co-locating the Colleges on a single site, while remaining separate schools with some shared facilities.
23. Both boards of trustees supported this option as sharing facilities, resources and closer proximity to the local tertiary education provider would increase collaboration, learning opportunities and support smoother transitions into tertiary education.
24. In October 2015, Cabinet approved the co-location of the Colleges on a greenfield site. A budget of \$63.2 million, to be funded from Ministry baselines, was approved for the project [SEC-15-MIN-0017 refers].
25. Since the project was approved, the Ministry has been unable to find a suitable site or a willing seller at a fair and reasonable price. The Ministry's initial site identification process undertaken in early 2016 identified [REDACTED] possible sites which were then prioritised in terms of suitability and likelihood of acquisition.
26. Waterlea Racecourse was identified as the preferred site for co-location, however at 31 hectares, the site is approximately double the size of the 15 hectares required.
27. Discussions took place with the racecourse owners, potential developers and the Marlborough District Council to explore various ownership options for the racecourse land. However, in January 2018, the owners of the racecourse informed the Ministry they had withdrawn from negotiations and that the racecourse was no longer for sale.
28. At the same time, it is clear that costs have increased significantly and the initial assessment of the budget to co-locate the schools was inadequate. More up to date cost benchmarks have been provided by the co-location of Shirley Boys' and Avonside Girls' High Schools in Christchurch, which is being delivered via the third Schools Public Private Partnership (PPP3) and will cost in excess of [REDACTED].
29. In February I was advised of these challenges and in response I directed the Ministry to update the business case options, including any other feasible options, and confirm whether co-location is still the preferred option.
30. In May the Ministry informed me that the Colleges had raised the option of relocating Bohally Intermediate (situated adjacent to the current Marlborough

s 9(2)(j) OIA

s 9(2)(j) OIA

Girls' College site) and co-locating the Colleges on the combined Marlborough Girls' College and Bohally Intermediate sites. Bohally Intermediate would need to be either relocated to a greenfield site or to the current site of Marlborough Boys' College as the combined site is too small to adequately accommodate all three schools.

31. While Bohally Intermediate's buildings are not in as poor condition as the Colleges', some do suffer from weather-tightness defects, which will require investment s 9(2)(f)(iv) OIA to remediate. The level of investment required has not been costed specifically but it is estimated the school requires between s 9(2)(f)(iv) OIA worth of investment over that period.

32. s 9(2)(j) OIA

Proposed approach supported by the schools

33. The Ministry has worked closely with all three schools to find a way forward. There is now a proposed approach that is supported by all three schools which, if approved, will enable the co-location of the Colleges to be delivered.

34. The Colleges' preferred option remains co-locating on a greenfield site (Option 1). However, they acknowledge that the Ministry has been trying to secure a new site for the last two and a half years without success and that this process cannot continue indefinitely.

s 9(2)(j) OIA

35. The Ministry has worked with the Colleges to identify s 9(2)(j) OIA for co-location. The Ministry proposes to progress acquisition activities for s 9(2)(j) OIA sites for the next three months, until the end of the year. If no site has been acquired in the time, or there is no deal imminent, the Ministry will begin to progress the option of co-locating the Colleges on the combined Marlborough Girls' College and Bohally Intermediate site. All three schools support this approach.

36. s 9(2)(f)(iv) OIA

37. Bohally Intermediate's preference is to relocate to a greenfield site in the first instance (Option 2). However, if an appropriate site cannot be found, the Principal and Board of Trustees have indicated they will not stand in the way of the co-

location of the Colleges and will accept being relocated to the Marlborough Boys' College site (Option 2A).

s 9(2)(j) OIA

38. Given Bohally Intermediate's preference to relocate to a greenfield site, the Ministry has worked with them and [REDACTED] which is proposes to focus acquisition activities on. This process will be undertaken concurrently with the Colleges site. If an appropriate greenfield site for Bohally Intermediate cannot be acquired, or no deal is imminent by the end of the year, the Ministry will start progressing Option 2A.
39. The Ministry has agreed with the schools to review the timeframes if necessary, particularly if site acquisition is close to being finalised when the time frame expires.
40. Conversely, if it is apparent early in the site acquisition process that there are no viable sites for either the Colleges or Bohally, the Ministry will abandon the process ahead of the expiry of the three month deadline and begin to progress Option 2A.

Cost associated with proposed approach

41. The estimated cost of co-locating the Colleges on a greenfield site is [REDACTED]
[REDACTED]¹ s 9(2)(j) OIA s 9(2)(j) OIA
42. The estimated cost of co-locating the Colleges on the combined Marlborough Girls' College and Bohally Intermediate site is [REDACTED] if Bohally Intermediate is relocated to a greenfield site (excluding the cost of land), or s 9(2)(j) OIA [REDACTED] if Bohally is relocated to the current Marlborough Boys' College site.
43. The principal difference between the cost of the options is the relocation and rebuild of Bohally Intermediate under Options 2 and 2A. Land costs are estimated to be between s 9(2)(j) OIA [REDACTED] and [REDACTED] for a site for the Colleges and between [REDACTED] and [REDACTED] for a greenfield site for Bohally Intermediate.
s 9(2)(j) OIA s 9(2)(j) OIA
44. These costs are significantly higher than the \$63.2 million approved by Cabinet in 2015. The basis for this difference is as follows:
 - a. The inclusion of the cost of relocating and rebuilding Bohally intermediate as well as collocating and rebuilding Marlborough Boys and Girls Colleges;
 - b. site specific costs based on a greenfield development eg topsoil removal, retaining walls, storm water are now included;
 - c. cost escalation to account for increases in materials and labour costs increasing at a rate higher than the inflation models;
 - d. professional fees (approximately s 9(2)(j) OIA [REDACTED] were omitted from the previous estimate; and

¹ Due to the complexities associated with purchasing land, the Ministry and Treasury have agreed that the Ministry can purchase new sites from its balance sheet and seek to have this expenditure appropriated retrospectively through the annual Budget process.

- e. the 2015 estimate was based on the Colleges' rolls at the time and did not provide any additional capacity at the Colleges to accommodate forecast roll growth. Recent forecasts show the Colleges' rolls increasing slightly in the short term, peaking around 2025/26, and remain static thereafter. This increase has now been factored into the estimated costs.
45. I am confident these new cost estimates are significantly more accurate than those in 2015. They have been prepared in conjunction with a quantity surveyor with knowledge of the local construction market and peer reviewed by a second, independent quantity surveyor. The methodology behind the estimates has been assessed as being appropriate by KPMG and the costs have been benchmarked against a similar project, the co-location of Shirley Boys' and Avonside Girls' High Schools, which is estimated to cost in excess of [REDACTED] s 9(2)(j) OIA
46. As a comparison, the cost of redeveloping the Colleges on their existing sites has been estimated at between [REDACTED] to [REDACTED] s 9(2)(j) OIA, due to the poor condition of their infrastructure. Furthermore, because of higher ongoing maintenance requirements, from a whole of life perspective there would likely be no significant savings if the co-location did not go ahead. In addition, there would not be the benefits of co-location which include:
- a. brand new infrastructure for both Colleges and Bohally Intermediate if relocated;
 - b. enhanced collaboration between the schools to support improved student achievement;
 - c. closer proximity to the tertiary provider, or the ability of the tertiary provider to provide facilities on site, will strengthen secondary-tertiary partnerships and pathways from compulsory education into further education, employment or training;
 - d. more opportunities to provide tailored academic and pastoral support for Maori and Pasifika students due to their being a larger cohort on the same site; and
 - e. enhanced economic activity in Blenheim throughout the delivery of the project.
47. As all three school sites are currently leased from local iwi, there will be ongoing lease obligations for the Ministry regardless of which option is ultimately progressed. The exact costs will depend on how negotiations proceed with iwi. These negotiations cannot commence until the exact option to be progressed is confirmed.
48. The lease costs are an operating cost which will continue to be met from Ministry baselines. The Ministry currently pays [REDACTED] s 9(2)(j) OIA annually under these leases.
49. Regardless of which option is ultimately progressed, it is likely that the schools will be on their current sites for some considerable time. There is a requirement to complete some remedial repair work to the existing buildings for three schools

to ensure they remain habitable and fit for purpose. This work will be funded from Ministry baselines and is not included in the above cost estimates.

Financial Implications

50. All construction costs will be met from existing Ministry baselines and will be phased over construction period.

Publicity

51. If the approach proposed in this paper is approved, I intend to make a public announcement detailing the proposed approach to the delivery of the co-location to provide the local community and landowners with clarity and transparency.

Consultation

52. The Ministry has consulted with the Treasury, the Department of Prime Minister and Cabinet and the State Services Commission on the development of this paper.

Human Rights

53. There are no human rights implications associated with this proposal.

Legislative Implications

54. There are no legislative implications associated with this proposal.

Regulatory Impact Analysis

55. There are no regulatory impacts associated with this proposal.

Gender Implications

56. There are no gender implications associated with this proposal.

Disability Perspective

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

Recommendations

58. I recommend that the Cabinet Government Administration and Expenditure Review Committee:
1. Note that the Ministry has worked with Marlborough Boys' College, Marlborough Girls' College and Bohally Intermediate to develop a proposed approach to enable the Colleges to be co-located;
 2. Note that the Colleges' preferred option is to co-locate to a greenfield site;
 3. Note that if a greenfield site is not acquired by the end of 2018, or no deal is imminent, Marlborough Boys' and Girls' Colleges will be co-located on the combined Marlborough Girls' College and Bohally Intermediate site and Bohally Intermediate will be relocated;

4. Approve the following prioritisation and timeframe for progressing the options for delivering the co-location of Marlborough Boys' and Girls' Colleges:
 1. OPTION 1: Co-locate the Colleges on a greenfield site [3 months to acquire a preferred site], at an estimated cost of s 9(2)(j) OIA
 2. OPTION 2: Co-locate the Colleges on the current Marlborough Girls' College site and adjacent Bohally Intermediate site and relocate Bohally Intermediate to a greenfield site [3 months to acquire preferred site for Bohally Intermediate, to run concurrently with Option 1], at an estimated cost of s 9(2)(j) OIA
 3. OPTION 2A: Co-locate the Colleges on the current Marlborough Girls' College site and the adjacent Bohally Intermediate site and relocate Bohally Intermediate to the current Marlborough Boys' College site, at an estimated cost of s 9(2)(j) OIA
5. Approve the delegation of authority to the Minister of Education and the Minister of Finance to approve the final option to be delivered, once known, and the final project budget, to a maximum of s 9(2)(j) OIA
6. Approve the delegation of authority to the Head of Education Infrastructure Service to sign construction contracts on behalf of the Ministry of Education for the co-location project within the budget limit delegations set by Cabinet.

Authorised for lodgement

Hon Chris Hipkins
Minister of Education