

Chair

Cabinet State Sector Reform and Expenditure Control Committee  
**Education Infrastructure Financial Changes to Appropriations**

**Proposal**

1. This paper seeks agreement to the following changes using existing available resources within Vote Education and the Ministry of Education balance sheet to continue major programmes of education infrastructure provision. We propose to:
  - a) change the procurement approach for Ao Tawhiti School in the Christchurch School Rebuild (CSR) programme and reverse the capital to operating swap approved by Cabinet in October 2015;
  - b) increase the budget and scope of works for Cashmere High School under the CSR programme to cater for a higher roll;
  - c) transfer 2015/16 underspends from efficiencies delivered in the School Network Upgrade Project (SNUP) and the Network for Learning managed network base package appropriation to provide approximately a further 350 schools with wireless network upgrades; and,
  - d) transfer funding from Vote Internal Affairs and an underspend from the Network for Learning managed network base package appropriation to continue the Computers in Homes programme [REDACTED]

**Executive summary**

2. Our Government has high aspirations for our children and young people. We want every child to get the best possible education, so they can reach their full potential and be successful at home and in the global economy. Education infrastructure and services, in the form of property, information technology, payroll and transport, play an important support function to enable these aspirations to be met. The Associate Minister of Education's delegation includes education infrastructure.
3. This paper seeks changes to the procurement approach, budget and scope, and delegations, for two high value projects: Ao Tawhiti and Cashmere High School. Delegations are sought for the Secretary for Education to enter into contracts related to these projects.
4. This paper seeks Cabinet approval to transfer current year underspends due to programme efficiencies from SNUP and the Network for Learning managed network base package to deliver wireless network upgrades to additional schools [REDACTED]
5. All decisions sought are funded using existing available resources within Vote Education and the Ministry of Education balance sheet, and Vote Internal Affairs in

relation to the Computers in Homes programme. Table one outlines the funding implications for the four projects set out in this paper.

**Table one: funding implications for individual projects seeking approval**

Project	Financial implications	Funding source
Ao Tawhiti School	Fiscally neutral operating to capital swap	No new funding sought
Cashmere High School	Increase project budget by \$3 million to provide for roll growth	Ministry baseline funding (Christchurch Schools Rebuild programme contingency)
Wireless network upgrades	Transfer of underspends from the current year to 2016/17	Underspends from School Network Upgrade Project and Network for Learning managed network base package appropriation. No new funding sought
Computers in Homes	Transfer from Vote Internal Affairs to Vote Education and transfer of underspends from the current year to 2016/17	Vote Internal Affairs; underspends from Network for Learning managed network base package appropriation. No new funding sought

6. On 19 October 2015 Cabinet agreed to a capital to operating swap of \$22 million to provide for the lease of facilities for Ao Tawhiti School [CAB-15-MIN-0148 refers]. However, lease negotiations have not been able to deliver a value for money outcome for the Ministry. This paper seeks Cabinet approval to swap the operating back into capital to enable the Ministry of Education to purchase land and to commit to design and construction contracts for Ao Tawhiti School.
7. The Christchurch School Rebuild (CSR) programme's business case prepared in 2013 provided a budget to Cashmere High School based on a student roll of 1456. As at 21 July 2015 the student roll was revised to 1700 for in zone domestic students. This increases the budget by approximately \$3.000 million and this paper seeks your agreement to an increased project budget of \$28.289 million to provide additional capacity at Cashmere High School.

## Background

### *School Property*

8. The Christchurch Schools Rebuild programme is a \$1.137 billion investment to repair, remodel and rebuild 115 schools over 10 years in response to the Canterbury Earthquakes of 2010 and 2011. The programme was approved by Cabinet in November 2013 [CAB Min (13) 39/6A refers]. As at February 2016:
  - a) six new schools have opened: Pegasus (2014), Halswell (2015), Rawhiti (2016), Waitakiri (2016), West Rolleston (2016), Marshlands (2016);
  - b) construction is well advanced for Lyttelton School, which is expected to open in Term 2, 2016;
  - c) site works are underway for two new schools being established through a public private partnership (Haeata Community Campus and Rolleston College), and a further nine projects, which are expected to open in 2017;
  - d) 56 of the total 115 schools are now in the capital works programme;
  - e) more than 200 minor works projects are currently in progress.

9. The programme is progressing on schedule and on budget.
10. On completion of the programme, more than 80% of all state school teaching spaces in greater Christchurch will meet core standards for lighting, ventilation, heating and acoustics, and all will have infrastructure to support the latest digital technology.
11. Both the Ao Tawhiti and Cashmere High School projects, included in the programme, require Cabinet approvals due to change in procurement approach or increase of budget and scope.

#### *School wireless network upgrades*

12. Government has a priority to provide all students with access to digital learning opportunities, via high-quality campus-wide wireless networking. High-quality wireless connections enable students and schools to collaborate and communicate more easily via wireless devices across their Communities of Learning. The provision of additional wireless network upgrades built to Ministry ICT network standards will standardise school ICT network infrastructure. The Ministry of Education's School Network Upgrade Project (SNUP) subsidised and managed internal ICT network upgrades in all state and state-integrated schools. SNUP began in 2004, and in June 2013, the project's scope was widened to include wireless networking. Schools funded for SNUP between January 2010 and June 2013 have not yet been able to access retrofitted wireless.
13. In November 2014, an additional \$5.400 million was made available to retrofit wireless networking into the 436 schools that received SNUP upgrades prior to 2010. These upgrades are scheduled to finish in December 2016.
14. Currently, 720 schools upgraded under SNUP from the start of 2010 to May 2013 are not scheduled for a Ministry-funded wireless network upgrade. The transfer of savings from 2015/16 will allow approximately 350 more schools to receive Ministry-funded wireless upgrades. The Ministry intends to support remaining schools by monitoring their ongoing ICT needs and providing advice and assistance where possible, or further extend wireless network upgrades if future savings are identified.

#### *Computers in Homes*

15. Computers in Homes (CiH) is a long running programme (established in 2000) implemented by the 2020 Communications Trust. The programme provides computer training, a computer and subsidised internet access to families with children in low-decile schools. Since 2010, the programme has graduated over 1,700 families each year from across the country. The programme is delivered by a network of regional coordinators across New Zealand.
16. As digital technologies become more common in schools and our wider society, it is becoming increasingly important for parents to have the skills and confidence to use technology in their everyday life and to better connect with their children's learning. The CiH programme is currently the Ministry of Education's initiative supporting equitable access to digital technologies for students and parents at home, funded at \$3.040 million in 2015/16. Of this, \$2.5 million is funded from Vote Education, and \$0.54 million is funded from Vote Internal Affairs, in recognition of

the programme's contribution to the Government's goal of digital inclusion.

17. In 2015, the Government commissioned a review of CiH which was undertaken by the Martin Jenkins consultancy. This review of CiH found that the programme addresses an important issue (digital exclusion in New Zealand), is well targeted, supports outcomes including education, employment, health and social connectedness and provides good value for money, leveraging from significant in-kind support.
18. Additional recommendations from the report included ensuring the programme (including the digital devices it provides and the curriculum delivered) is responsive to the rapidly changing environment, looking at opportunities to improve programme delivery and efficiency and considering how to better service the Auckland area as unmet demand was identified in this area.

#### **Ao Tawhiti - change in procurement approach**

19. Ao Tawhiti is a Special Character school established following the merger of Discovery One and Unlimited Paenga Tawhiti schools in 2014. The school, with a total roll of 433 (as of July 2015), is currently located across two separate, temporary campuses in Christchurch.
20. The indicative budget for the construction of new facilities for the school in the CSR programme business case approved by Cabinet in November 2013 was \$30.3 million. This included site purchase and design and construction of facilities for a final roll of 670 students. Following approval of the programme business case, the Ministry identified leasing rather than purchasing land for Ao Tawhiti School was preferable as it was likely to provide a faster solution and long-term flexibility.
21. On 19 October 2015 Cabinet agreed to a capital to operating swap of \$22 million to provide for the lease of facilities for Ao Tawhiti [CAB-15-MIN-0148 refers]. The remaining capital from the original \$30.3 million budget would be required for fit out costs. Cabinet also noted that the Ministry of Education was negotiating a potential lease for a premise in the Christchurch central business district.
22. The Ministry entered into negotiations with a developer regarding leased premises for the school, but in December 2015 was forced to cease negotiations. It became clear that leasing would not provide value for money to the Crown or good educational outcomes for taxpayers or the school.
23. The Ministry's preferred procurement option is now the traditional design and build model to deliver value for money. We request that Cabinet agree to reverse the October 2015 capital to operating swap to allow the project to proceed as a design and build on a Ministry-owned site.
24. The Ministry is seeking to confirm a site for the school in the next month, after discussions with the Canterbury Earthquake Recovery Authority (CERA) to confirm interest in executing a Crown to Crown transfer or sale and purchase of the land at 177-185 St Asaph Street for an estimated cost of up to \$2.7 million. Purchase and designation of a site would allow the Ministry to undertake a design and build procurement.

25. As there is private sector interest in Christchurch CBD land, it is important to provide certainty as soon as possible. We are continuing to liaise across portfolios to confirm the acquisition of this site.
26. The timeline for this project is set out in table two. It is estimated that preliminary work will start following Cabinet approval and the estimated date for completion of the new facilities is December 2018.

**Table two: proposed timeline for Ao Tawhiti School**

Milestones	Duration	Completion Date
Site Acquisition	2 months	May 2016
LINZ Approval	1 month	Jun 2016
Procurement for Lead Design, Project Management and Quantity Surveyor from the Ministry's Professional Services Panel	1.5 months	May 2016
Land Remediation (potential)	2 months	Aug 2016
Design & Consenting Activity	9 months	Mar 2017
Procurement for Main Contractor from Ministry's Construction Panel	2 months	May 2017
Construction	18 months	Dec 2018

27. If the October 2015 capital to operating swap is not reversed, the Ministry would need to allocate capital funding from its balance sheet to meet the costs of the redevelopment of Ao Tawhiti School. This would reduce the Ministry's ability to address schools outside of Christchurch with significant property challenges, or mean the opening date of Ao Tawhiti is delayed by one or more years.

#### **Cashmere High School budget and scope increase**

28. Cashmere High School's redevelopment was approved by Cabinet as part of the Christchurch Schools Rebuild Wave 2 project approvals. A budget of \$25.289 million was approved, based on a roll of 1456 students [CAB Min (15) 4/3 refers].
29. Cashmere High School redevelopment was brought forward from 2018 to 2015 because a number of severe legacy issues, such as leaky buildings, became apparent.
30. The Ministry's current roll analysis recommends a build roll for master planning of 1700 students for the current school redevelopment within the CSR Programme. Cashmere High School commenced master planning in late 2015 on that basis.
31. The need to accommodate an additional 244 students means the budget for Cashmere High School needs to increase as the number of buildings being repaired or replaced will increase and the number of students to be shifted during the build phase will also increase.
32. We seek Cabinet approval to increase the budget by \$3.000 million to \$28.289 million to deliver this additional capacity.
33. Due to the size of Cashmere High School and the extent of redevelopment it is envisaged the construction phase of the redevelopment will be staged over at least three budget years 2015/16 – 2017/18.

34. The net additional budget of \$3.000 million will be funded from the CSR programme's baseline contingency, and is expected to exhaust that contingency.

#### **Expand school wireless network upgrades and continue Computers in Homes**

35. The Ministry of Education estimates underspends of \$8 million from SNUP and \$3 million from the Network for Learning managed network base package appropriation; a total of \$11 million in savings in 2015/16. These underspends are due to improved procurement practices and renegotiated contracts for SNUP and lower than forecast costs for the rollout of the managed network to schools. We recommend that these efficiency savings:

- a) from the Network for Learning managed network base package appropriation, be applied to continue the Computers in Homes programme in 2016/17 (\$2.500 million);
- b) from SNUP (\$8.000 million) and the remaining \$0.500 million Network for Learning savings, be applied to provide wireless network upgrades to approximately 350 further schools (\$8.500 million);

36. These transfers could not be progressed through the March Baseline Update due to timing, and need to be approved by Cabinet due to the transfer across financial years and appropriations [CO 15(4) refers].

#### *Expanding wireless network upgrades*

37. Providing more schools with wireless network upgrades will enable these schools to take full advantage of their connections to the Network for Learning's Managed Network and collaborate and communicate more easily via wireless devices across their Communities of Learning. While many of the currently unfunded schools have paid for wireless themselves, in many cases this has not been done to Ministry standards. This means these schools will not be able to take full advantage of digital technologies as they become increasingly essential to the delivery of the curriculum and school administration.

38. State schools will contribute 20% of the upgrade costs and state-integrated schools will contribute 32%. This is consistent with the model that was used for SNUP.

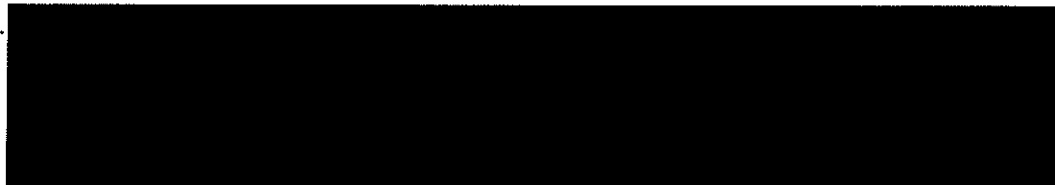
39. The additional schools to receive wireless network upgrades have, on average, far larger rolls than the original 436 schools, which included some of the smallest schools in the country, with 55% of the schools having a roll of less than 100. As roll size is the best indicator of likely cost of upgrade, the cost to upgrade these additional schools is proportionally higher than the original tranche of schools.

#### *Continuing Computers in Homes for 2016/17*

40. The CiH programme has had various levels of Government funding throughout its history. Since July 2014, the Ministry of Education has contracted for CiH to deliver to 1,500 families per year at a cost of \$3.040 million per annum. The Department of Internal Affairs has contributed to funding for CiH to recognise the programme's contribution to digital inclusion. A recent Government-commissioned review found that the programme provides value for money.

41. We recommend transferring \$2.500 million of the Network for Learning managed network base package efficiency savings to allow the CiH programme to continue in 2016/17. Further, we recommend that \$0.54 million is transferred from Vote Internal Affairs to make up the \$3.040 million needed to continue the programme in 2016/17 at its current level.

42.



43. The proposed changes to appropriations and capital injections, which include the transfer of some operating to capital, are set out in tables three and four below.

**Table three: proposed changes to appropriations for Wireless network upgrades**

<b>Vote Education</b> All figures \$ million	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20&amp; outyears</b>
<b>Non-Departmental Other Expense:</b> Integrated School Property	(1.500)	0.678	-	-	-
<b>Non-Departmental Capital Expenditure:</b> Schools Furniture and Equipment	(2.500)	6.369	-	-	-
<b>Ministry of Education</b> Capital Injection	(4.000)	-	-	-	-
<b>Departmental Output Expense:</b> School Property Portfolio Management	-	1.453	-	-	-
<b>Non-Departmental Output Expense:</b> School Managed Network Funding	(0.500)	-	-	-	-
<b>Total</b>	<b>(8.500)</b>	<b>8.500</b>	-	-	-

**Table four: proposed changed to appropriations for Computers in Homes**

All figures \$ million	2015/16	2016/17	2017/18	2018/19	2019/20 & outyears
<b>Vote Education</b>					
<b>Non-Departmental Output Expense:</b>	(2.500)	-	-	-	-
School Managed Network Funding					
<b>Improved Quality Teaching and Learning MCA</b>	-	3.040	-	-	-
Curriculum Support					
<b>Vote Internal Affairs</b>					
Community Funding Schemes MCA	-	(0.540)	-	-	-
Digital Literacy and Connection					
<b>Total</b>	<b>(2.500)</b>	<b>2.500</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Financial Implications

44. All recommendations are funded from existing available resources within Vote Internal Affairs, Vote Education and the Ministry of Education balance sheet but require Cabinet approval either because of previous Cabinet decisions or the size of the investment.
45. Ao Tawhiti requires an operating to capital swap to reverse the baseline change agreed in 2015 [CAB-15-MIN-0148 refers]. No additional funding is sought.
46. The increase in Cashmere High School budget by \$3 million to deliver for a larger roll will be met from CSR programme contingency in current baselines.
47. Continuing the Computers in Homes programme in 2016/17 will cost Vote Education \$2.500 million, to be funded from 2015/16 Network for Learning managed network base package; and Vote Internal Affairs \$0.540 million funded from NDOE Digital Literacy and Connection. Extending wireless network upgrades to a further 350 schools will cost \$8.500 million in 2016/17, to be funded from the 2015/16 SNUP underspend and Network for Learning managed network base package underspend. No additional funding is sought.

### Risk

48. The identified risks linked to the two school property projects include:
- stakeholder relationships deteriorate if projects are delayed or scope expectations are not met.  
*Mitigation:* the Ministry will continue to maintain close links with school staff and provide regular updates.
  - controlling the project budget to avoid overspending resulting in incomplete projects.  
*Mitigation:* the Ministry will tender fixed price contracts for design and construction and has contingency plans in place.



- c) School operations may be interrupted due to works on site.  
*Mitigation:* the Ministry has worked closely with the schools and incorporated their input into the Contractors site layout plan, work phasing and timelines. The Ministry will ensure the schools are informed of construction movements planned.

49. Regarding Ao Tawhiti, the Ministry has contingency plans in place if site acquisition takes longer than expected.

### **Publicity**

50. Approvals of proposed changes for school property in scope of this paper are likely to be of interest to the affected schools and local communities.

51. Approvals of proposed changes for ICT programmes in this paper may be of interest to media, the education sector, suppliers, affected schools and their communities.

52. We intend to make an announcement about the Computers in Homes continuity in 2016/17 [REDACTED]

[REDACTED] We will consider opportunities to announce this funding before, or alongside Budget announcements and will consult with the Minister of Finance on any announcements linked to Budget 2016.

53. There is also an opportunity for press releases and announcements at schools to deliver the positive news to interested parties.

54. Publicity will be managed by our offices.

### **Consultation**

55. The Department of Prime Minister and Cabinet and the Treasury have been consulted. CERA has been informed.

56. The Ministry has worked closely with the boards of all three schools throughout this process. No consultation has been undertaken with schools or suppliers regarding the ICT programmes.

#### *Treasury comment*

57. The Treasury supports the recommendations of this paper.

### **Human Rights**

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

### **Legislative Implications**

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

### **Regulatory Impact Analysis**

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

### **Gender Implications**

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

## Disability Perspective

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

## Recommendations

63. We recommend that the State Sector Reform and Expenditure Control Committee:

### *Ao Tawhiti*

1. **note** the Ministry has been unable to reach a leasing arrangement for Ao Tawhiti School that is value for money
2. **approve** the Ministry using design and build procurement to provide new facilities for Ao Tawhiti School for up to \$30.3 million, as per the 2013 Greater Christchurch Education Renewal programme business case [CAB Min (13) 39/6A refers]
3. **approve** the following changes to appropriations and capital injections to reverse the baseline changes incorporated in the 2016 March Baseline Update, with a corresponding impact on the operating balance and debt:

Vote Education Minister of Education	\$m – increase (decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20& outyears
Departmental output expense:					
School Property Portfolio Management (funded by revenue Crown)	-	(0.438)	(0.438)	(0.438)	(0.438)
Ministry of Education: Capital Injection	-	21.875	-	-	-
<b>Total Operating</b>	-	<b>(0.438)</b>	<b>(0.438)</b>	<b>(0.438)</b>	<b>(0.438)</b>
<b>Total Capital</b>	-	<b>21.875</b>	-	-	-

4. **note** that following this operating to capital swap, the Ministry will have sufficient funding in baselines to deliver this project and no additional funding is sought

### *Cashmere High School*

5. **note** that on 27 February 2015 Cabinet approved a budget of \$25.289 million for Cashmere High School [CAB Min (15) 4/3 refers]
6. **agree** to an increase in budget to \$28.289 million to provide additional capacity to respond to roll growth at Cashmere High School
7. **note** that additional costs will be funded from the CSR Programme contingency

*Technology in Schools*

8. **agree** Computers in Homes is [REDACTED] funded from \$2.500 million of underspend from the Network for Learning managed network base package and \$0.540 million from Vote Internal Affairs: Community Funding Schemes MCA Digital Literacy and Connection.
9. [REDACTED]
10. **note** that the Minister and Associate Minister of Education will consider approaches to announcements of the Computers in Homes funding
11. **agree** that \$8.500 million of existing available resources within Vote Education appropriations and the Ministry balance sheet, arising from underspends on the School Network Upgrade Project and Network for Learning, be made available to provide for 350 additional schools to obtain wireless upgrades in 2016/17
12. **agree** to decrease and increase in Vote Education appropriations and the Ministry of Education balance sheet departmental capital in 2015/16 and 2016/17, respectively, to give effect to the policy decisions in recommendations 1 and 3 above, with the following impacts on the operating balance and debt:

Vote Education	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20& Outyears
Operating Balance Impact	(4.500)	4.631	-	-	-
Debt Impact	(6.500)	6.369	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>(11.000)</b>	<b>11.000</b>	-	-	-

13. **note** that Cabinet has agreed that, where a decrease in total taxpayers' funds is due to a capital to operating swap, departments' baselines are to be adjusted downwards by the amount of the associated capital charge [CAB Min (10) 41/9 refers]
14. **approve** the following changes to appropriations and capital injections to Vote Education and Vote Internal Affairs reflecting the baseline adjustments in recommendations 8, 11 and 12 above:

	\$m – increase/(decrease)				
	2015/16	2016/17	2017/18	2018/19	2019/20& Outyears
<b>Vote Education</b>					
<b>Minister of Education</b>					
Non-Departmental Other Expense:					
Integrated School Property	(1.500)	0.678	-	-	-
Non-Departmental Capital Expenditure:					
Schools Furniture and Equipment	(2.500)	6.369	-	-	-
Ministry of Education: Capital Withdrawal	(4.000)	-	-	-	-
Departmental Output Expense:					
School Property Portfolio Management (funded by revenue Crown)	-	1.133 <sup>1</sup>	(0.320)	(0.320)	(0.320)
Non-Departmental Output Expense:					
School Managed Network Funding	(3.000)	-	-	-	-
Multi-Category Expenses and Capital Expenditure:					
Improved Quality Teaching and Learning MCA					
Non-Departmental Output Expense:					
Curriculum Support	-	3.040			
<b>Vote Internal Affairs</b>					
<b>Minister for the Community and Voluntary Sector</b>					
Multi-Category Expenses and Capital Expenditure:					
Community Funding Schemes MCA					
Non-Departmental Other Expense:					
Digital Literacy and Connection	-	(0.540)	-	-	-
<b>Total Operating</b>	<b>(4.500)</b>	<b>4.311</b>	<b>(0.320)</b>	<b>(0.320)</b>	<b>(0.320)</b>
<b>Total Capital</b>	<b>(6.500)</b>	<b>6.369</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> This number relates to \$1.453 million less capital charge reduction of \$0.320 million

15. **agree** that the proposed changes to appropriations and capital withdrawal for 2015/16 above be included in the 2015/16 Supplementary Estimates.

***Delegations***

16. **delegate** authority to the Secretary for Education, or delegate, to make technical decisions to give effect to these recommendations and to sign school wireless upgrade contracts and all construction contracts for Ao Tawhiti and Cashmere High School.

Hon Hekia Parata  
**Minister of Education**

Hon Nikki Kaye  
**Associate Minister of Education**

