

Education Report: Partnership Schools Round Four Recommendations

Executive Summary

The Partnership School Kura Hourua Authorisation Board (the Board) has recommended two Round Four PSKH applicants for you to consider approving to proceed to the contract negotiation stage that is expected to commence in April 2017.

The final stage of the selection process is sponsor approval and contract signing in May 2017. Approved sponsors would open schools in term 1, 2018.

Before you make the decisions in this paper, you are separately taking a Cabinet paper so Cabinet can note the intended selections.



While the Board supports the applicants proceeding to contract negotiations, it does not support the applicants being approved as sponsors until some matters that have been identified have been addressed satisfactorily. We will keep you updated and advise you when the matters identified by the Board have been resolved, in May, or earlier if the matters are resolved sooner.

It is expected that you will reserve your decisions as to whether to approve the two applicants to contract negotiations until you have concluded the Cabinet process, and this is likely to be in mid/late April 2017. We are currently updating the Round Four contract with external legal support, so that recent policy changes and minor other updates can be made. You will be advised of the proposed changes before final contracts are offered to the applicants (in the negotiation stage).

Recommendations

We recommend that the Associate Minister of Education:

- a. **note** that Partnership School Kura Hourua Authorisation Board (the Board) is appointed by the Minister of Education in accordance with the Education Act;
- b. **note** the Board has submitted for your consideration its recommendations in the Round Four Partnership School Kura Hourua (PSKH) selection process for schools that would open in 2018; and that subject to your agreement, the applicants will proceed to contract negotiations (as preferred applicants);
- c. **note** that this Education Report summarises the Board's recommendations, and the full report of the Board and a letter to you from the Chair is provided ([Appendix 1](#));
- d. **note** that the Board's recommendations are that the two applicants below should proceed to contract negotiations:
 - i. **Te Taumata o Ngāti Whakaeu Iho Ake Trust**, which proposed to open a composite school (Years 1-10) in Rotorua; and,

- ii. **Blue Light Ventures Inc**, which proposed to open a senior secondary school (Years 11-13) for males, with the school to be located in Wairakei Village, Taupo.
- e. **note** that the Board considered that, while the Board supports the applicants proceeding to contract negotiations, it does not support the applicants being approved as sponsors until some outstanding matters have been addressed satisfactorily (see below);
- f. **note** that for Te Taumata o Ngāti Whakaue Iho Ake Trust (Te Taumata) the outstanding matters identified by the Board included:
 - i. that its proposed property for the school may not be available in time, and
 - ii. that because this iwi group intends to establish a separate legal entity, additional due diligence checks will be required including ensuring that commitments made by the iwi will apply to the new entity;
- g. **note** that for Blue Light Ventures Inc (Blue Light) the outstanding matters identified by the Board included:
 - i. that ongoing issues with the accuracy of its financial submission need to be addressed, and financial viability of the proposed school confirmed; and
 - ii. that practical issues with the property (obtaining a licence to operate a hostel, confirming its proposal to share some of a neighbouring school) need to be addressed;
- h. **note** the Ministry will advise both applicants of the matters identified with a requirement that they should be resolved by 30 April 2017, together with any other matters identified by the Ministry or the Board;
- i. **note** that the Ministry will keep you updated on the matters identified by the Board; and that we expect to be able to provide you with an update on this in about May;
- j. **note** that we have provided (separately) a draft Cabinet Paper for you to consider and, subject to your feedback, submit to Cabinet Committee so that Cabinet is advised of the intended selections [METIS 1053694 refers];
- k. **note** that on the basis of recommendation j above, it is expected that you will reserve your decisions on recommendation l below until you have concluded the Cabinet process, and this is likely to be in mid/late April;
- l. **agree** that the following applicants will proceed to the preferred applicant (contract negotiation) stage:
 - i. **Te Taumata o Ngāti Whakaue Iho Ake Trust;**
 **AGREE / DISAGREE**
 - ii. **Blue Light Ventures Inc.**
 **AGREE / DISAGREE**
- m. **note** that the final step in the Round Four selection process is your approval of applicants as a sponsors; this is when contracts can be executed by both parties (this is scheduled for May 2017);

- n. **note** that the Ministry is currently updating the Round Four contract with external legal support, so that recent policy changes can be included and other minor updates made, and that your Office and the Under-Secretary's Office will be advised of the proposed changes, before the final contract is offered to preferred applicants (on your behalf). You can expect further advice in May 2017 on the Round Four changes and how the 2017 Contract Review (which is currently under consideration) will work for Round Four;
- o. **forward** this report to the Minister of Education so it can be considered in parallel with the Cabinet Paper that also relates to Round Four [METIS 1053694 refers].

YES / NO



Karl Le Quesne
Deputy Secretary (acting)
Early Learning and Student Achievement

Encls

APPROVED / NOT APPROVED

NOTED



Hon Nikki Kaye
Associate Minister of Education

01/04/17

David Seymour
**Parliamentary Under-Secretary
to the Minister of Education**

 / /

Education Report: Partnership Schools Round Four Recommendations

Purpose of Report

1. The Partnership School Kura Hourua Authorisation Board (the Board) has recommended two Round Four PSKH applicants to proceed as preferred applicants to the contract negotiation stage.
2. This report is your decision paper for progressing the applicants to the contract negotiations stage of the selection process, after Cabinet has noted your intentions.

Background

3. The Minister of Education appointed the PSKH Authorisation Board (the Board) in accordance with the Education Act. The Board is independent and is responsible for advising you on applications to be considered for approval. It also has a role to monitor educational performance at the schools. The authority to approve PSKH applicants rests with you and it includes "absolute discretion" (s158B, Education Act 1989).
4. The Ministry of Education (the Ministry) is the Government's lead advisor on education matters. The Ministry is also responsible for providing the Board with secretariat support. The Board leads the PSKH selection process and the Ministry manages the procurement process. An open market selection process was undertaken that was in accordance with all-of-government procurement rules.

Update on Round Four Timelines

5. The timelines below were included in the Request for Applications guidance that was issued in the Ministry's tender documents:
 - a. Expression of Interest: to market 12 August 2016; closed **8 September 2016**;
 - b. Request for Applications: to market: 13 October 2016; closed **8 November 2016**;
 - c. Applicants were advised that they would be notified if they were preferred applicants in March 2017;
 - d. Applicants were not advised what the expected timing was for contracts to be negotiated or executed.
6. Our internal timeline was to commence the Cabinet process in late March, with decisions in April, and for contracts with preferred applicants to be executed in May 2017. An objective of the internal timeline was to ensure that contracts would be in place by May 2017. We are currently on-track to achieve this.

Expression of Interest and Evaluation Stages for Round Four (completed)

7. The Ministry received 11 expressions of interest. Of these, eight organisations were invited to apply to open a PSKH in 2018. Four compliant applications were received.
8. Evaluation of the applications was undertaken. This included initial assessment by a Ministry evaluation team, applicant presentations/interviews, the Board's assessment of the applications, and high level financial and legal due diligence reviews undertaken by PricewaterhouseCoopers (PwC) and Chapman Tripp.
9. In December 2016, of the four total applicants the Board shortlisted three. These organisations were then subject to due diligence and reference checks, and the

applicant that was not shortlisted was advised that they had been unsuccessful and provided with a debrief. This has enabled that applicant to reapply in Round Five.

10. On 20 March 2017, with three applicants remaining, one applicant withdrew. This left two applicants in the selection process; they are the current two.
11. The Ministry contracted independent probity advisors, TressCox Lawyers, to oversee the procurement process.

Comment on the Board's recommendations

Pre-Negotiations Stage (starts from the date you receive this paper and ends when decisions in this paper are made)

12. From the date the Board finalises its report, with recommendations made to you, the Board's evaluation process is concluded. The pre-negotiation stage will begin while you are considering the Board's advice. You can, however, request further advice from the Board if required, or the Board could indicate, like it has on this occasion, that it intends to provide further advice as matters were identified.
13. During the pre-negotiation stage, applicants await your decision about whether or not they proceed to the contract negotiations stage.
14. In the pre-negotiation stage, applicants may seek independent legal or other professional advice to help address matters identified. They might choose to take steps themselves to progress establishing their proposed school. Potentially this means they can incur costs. If they do so, those costs are at their own risk.

Recommendations

15. The Board has recommended that two Round Four PSKH applicants proceed to the contract negotiation stage as preferred applicants. You are asked to consider agreeing this. The Board's report to you is attached (Appendix 1), together with a letter from the Chair.
16. The following applicants are recommended to proceed as preferred applicants to the contract negotiation stage:
 - a. **Te Taumata o Ngāti Whakaue Iho Ake Trust**, which proposed to open a years 1 to 10 composite school in Rotorua; and
 - b. **Blue Light Ventures Inc**, which proposed to open a senior secondary school (Years 11-13) for males, with the school to be located in Wairakei Village, Taupo.
17. We have provided separately a draft Cabinet Paper for you to consider and, subject to your feedback, submit to Cabinet Committee to advise Cabinet of your intended Round Four selections prior to making the decisions in this paper.
18. The Board considered that it would not support the applicants being given final approval if some matters that it identified were not addressed in time, and that on that basis the Ministry will advise both applicants of the matters and ask that these be resolved by 30 April, as this will help ensure timelines are maintained to have contracts executed in May.

Subsequent matters to be resolved

19. For Te Taumata o Ngāti Whakaue Iho Ake Trust (Te Taumata) the matters identified by the Board included:
 - a. that its proposed property for the school may not be available in time, and

- b. that because this iwi group intends to establish a separate legal entity, additional due diligence checks will be required including ensuring that commitments made by the iwi will apply to the new entity.
- 20. For Blue Light Ventures Inc (Blue Light) the matters identified by the Board included:
 - a. that ongoing issues with the accuracy of its financial submission need to be addressed, and financial viability of the proposed school confirmed; and
 - b. that practical issues with the property (obtaining a licence to operate a hostel, confirming its proposal to share some of a neighbouring school) need to be addressed.
- 21. The Ministry will keep you updated as and when the matters identified by the Board are resolved; and that we expect to be able to provide you with an update on this in May, or earlier if the matters are resolved earlier. It is possible that matters may require additional time. If that is the case acceptable mitigation plans will be explored.

Next steps

- 22. Applicants were advised in the tender that they would be notified if they were preferred applicants in March. In late March 2017, we will advise the current applicants that the Board has recommended them as preferred applicants and that the decision to progress them to the contract negotiation stage is subject to your consideration.
- 23. Applicants tend not to appreciate how government decision making processes work, and the time it can take. On this basis, we consider it was reasonable to inform the applicants of the Board's advice to help manage their expectations, and so they could understand that conversations about their selection were continuing. This also enables us to progress the outstanding matters.
- 24. The Ministry will advise the two applicants that the Board has submitted its recommendations to the Minister regarding the selection of applicants to progress to contract negotiations. This will include formally advising applicants about the matters the Board raised, and the timeline the Board set for them to be resolved (30 April).
- 25. Contract execution is the final step in the selection process (contract execution is scheduled in May 2017).

Financial Implications

- 26. As part of Budget 2016, an operating contingency was set aside for the establishment of PSKH [CAB-16-MIN-0189.10 refers]. Funding available then was sufficient for about seven medium/large secondary schools. The amount available for Rounds Four and Five increased to about eight schools when funding drawn-down for a Round Three school went unallocated as a preferred applicant withdrew in 2016 (Te Whānau o Waipareira Trust).
- 27. The Crown's costs associated with Round Four can be met from baselines.

Next steps

Contract Negotiations Stage (April-May)

- 28. In the contract negotiation stage all final details are agreed in-principle between the Ministry's negotiation team and the preferred applicants. Subject to no significant issues arising, it is expected the stage will conclude when the Ministry submits an Education Report to you to approve sponsors and execute contracts.

29. The Ministry is currently updating the Round Four contract with external legal support, so that recent policy changes [SOC-16-MIN-0186, METIS 1039668 refers] and other minor updates can be made.
30. Your Office and the Under-Secretary's Office will be advised of the proposed contract, prior to it being offered to preferred applicants (on your behalf). This will enable your feedback to be incorporated, if any. You can expect further advice in May on how the 2017 Contract Review (which is currently under consideration) will work for Round Four.

Final Stage – Contract Execution (May)

31. The final stage is expected to occur in May 2017. We will submit an Education Report to recommend the approval of applicants as sponsors of PSKH, in accordance with the legislation.

Publicity and information release (May onwards)

32. After contracts are executed it is appropriate to publicly announce the successful applicants. Official information leading up to and including the decision making process for Round Four (including the original applications, contracts, this paper and the Board's advice) is publicly released from this time. This assists to maintain high transparency of official information and helps to manage the Ministry's heavy workload of PSKH-related OIA requests. We will work with your Office and the Under-Secretary's Office to ensure we are well prepared ahead of the information release.

PO Box 1666
Wellington 6140

s 9(2)(a) OIA

20 March 2017

Hon Nikki Kaye
Associate Minister of Education

Tēnā koe Minister,

This report provides you with a summary of the recommendations of the Partnership Schools | Kura Hourua (PSKH) Authorisation Board following our evaluation of the round four applications to open a partnership school in 2018.

The Board recommends that you approve two applicants to be invited to proceed to the preferred applicant (contract negotiation) stage, during which any outstanding issues will be resolved and contract terms agreed. These applications (in ranked order) are:

1. **Te Taumata o Ngāti Whakaue Iho Ake Trust**, which proposes to open a years 1 to 10 composite school in Rotorua, with an opening roll of 80 students and a maximum roll of 200 students. It is anticipated that 90% of the roll will be Māori students.

There is a strong and well-articulated vision for the school. The education plan is very credible, and the Trust has already identified a school leader and a potential site. The Trust would also put some of their own resources towards the operation of the school.

2. **Blue Light Ventures Inc**, which proposes to open a senior residential secondary school for males in years 11-13 located in Wairakei Village, Taupo.

The applicant is a very credible organisation with an impressive track record and a long and well-established relationship with the New Zealand Police. The proposed school includes an adventure-based learning component which is innovative. An educational leader has been engaged and the organisation will put some of their own resources towards the operation of the school.

The applicants will be advised that all outstanding matters must be resolved by 30 April 2017 and that they must sign the contracts by 19 May 2017. This will enable you to consider and sign contracts by 31 May 2017 as per the timeline.

I confirm that the Board, with support from the Ministry of Education, has carried out a detailed evaluation of all of the applications before arriving at the recommendations set out in this report.

The Board has confidence that the sponsors we are recommending are highly capable and strongly committed to establishing and running successful partnership schools that would make a significant difference to the learning outcomes of priority learners.

Each of the recommended applicants offers a fresh approach in an area of identified need, and brings partnerships with community organisations, iwi, and, in some cases, businesses, in line with the objectives of the PSKH policy.

I will be happy to provide any further information that you may require to support you in considering the Board's recommendations.

Ngā mihi

A handwritten signature in black ink, appearing to read 'C Isaac', written in a cursive style.

Catherine Isaac
Chair
Partnership School | Kura Hourua Authorisation Board

Subject: Request for Application process for Partnership Schools |Kura Hourua to open in 2018 - Partnership Schools | Kura Hourua Authorisation Board Recommendations

Date: 20 March 2017

Purpose

1. The purpose of this report is to present the recommendations of the Partnership Schools | Kura Hourua Authorisation Board (the Board) in relation to the Request for Application process for Partnership Schools Kura Hourua (PSKH) to open in 2018.
2. A covering letter from the Board Chair is attached (Appendix 1).

Recommendation

3. The Board recommends that:
 - a. the following applicants be invited to proceed to the preferred applicant (contract negotiation) stage, during which any outstanding issues will be resolved and contract terms agreed:
 - i. **Te Taumata o Ngāti Whakaue Iho Ake Trust**, which proposes to open a years 1 to 10 composite school in Rotorua
 - ii. **Blue Light Ventures Inc**, which proposes to open a senior secondary school (years 11-13) for males, with the school to be located in Wairakei Village, Taupo.

Background and Process

4. Following an open market expression of interest process, eight organisations were invited to apply to open a PSKH in 2018.
5. Five applications were received. One of these was of insufficient quality to be considered fully and was deemed to be a non-compliant tender.
6. A comprehensive evaluation of the four compliant applications was undertaken. This included initial assessment by a Ministry of Education evaluation team, assessment of the applications by the Board, applicant interviews, and high level financial and legal due diligence reviews undertaken by PwC and Chapman Tripp.
7. In December 2016, the Board shortlisted three applicants. These organisations were shortlisted subject to completion of due diligence and reference checks.
8. One organisation was not shortlisted at the December 2016 Board evaluation meeting. That applicant received a comprehensive debrief from the Ministry (and has reapplied through the Round 5 Expression of Interest process).

9. One organisation which was shortlisted at the December 2016 Board evaluation meeting has subsequently withdrawn its application and is therefore no longer eligible for further consideration in this process.
10. Chapman Tripp was engaged to undertake legal due diligence, including checking whether the legal entity of the applicant group in each case would comply with the Education Act, and that the information provided by applicants on their proposed property was accurate. They have identified a number of matters that will need to be addressed in the negotiation process.
11. The procurement process followed government procurement guidelines. It was overseen by independent probity advisors, TressCox Lawyers.
12. The Board recommends to the Associate Minister of Education that the two applicants (described in more detail below) be invited to proceed to the preferred applicant stage, during which any caveats will be addressed (including final referee checks). This process will be concluded prior to a recommendation being made to the Minister to provide final approval and execute contracts.

Summary of Recommended Applicants

Te Taumata o Ngāti Whakaue Iho Ake Trust

13. A brief summary of the application is as follows:

- b. Propose to open a years 1 to 10 composite school in Rotorua, with an opening roll of 80 students and a maximum roll of 200 students. It is anticipated that 90% of the roll will be Māori students.

- c. The school's special character is stated in its application as:

"Using STEM as a curriculum based on the idea of educating students in four specific disciplines — science, technology, engineering and mathematics — in an interdisciplinary and applied approach. We are also infusing Kaupapa Māori, our identity, language and culture to create a STEM curriculum, unique to our learners environment here in Te Arawa, Mai i Maketu ki Tongariro".

- d. The applicant intends to sub-contract to [REDACTED]

s 9(2)(b)(ii) OIA

[REDACTED] and has an existing Memorandum of Understanding with [REDACTED]

s 9(2)(b)(ii) OIA

- e. Crown funding for the school would be supplemented by philanthropic support and [REDACTED].

s 9(2)(b)(ii) OIA

14. The Board's considerations included:

- a. Te Taumata o Ngāti Whakaue Iho Ake Trust Charitable Trust has been operating in Rotorua since 2005 and is highly credible.
 - b. There is a strong and well articulated vision for the school.
 - c. The education plan in the written application was strong and well supported at the interview, with questions on assessment and achievement answered well.

- d. A school leader has been identified and attended the interview with the Authorisation Board. She would be supported by the Trust in her professional development.
- e. Professional development of teachers was well articulated in the presentation.
- f. The applicant gave the Board a sense that it would take a continuous improvement approach, including using reliable and relevant data and research to inform educational practice.
- g. It was noted that the school aims to fill gaps in the future workforce through its focus on STEM (Science, Technology, Engineering, Mathematics).

15. This application ranked first in the Board's evaluation process.

16. The Board assessed the application positively against the following Government preference factors:

- a. Preference Factor A - Make effective use of the flexibilities offered by the model
- b. Preference Factor D - Propose to locate in an area or areas where there are students who are not being well served by the education system
- c. Preference Factor E - Bring together education, business and/or community sector partnership(s)
- d. Preference Factor F - Have a focus on science, technology, engineering and mathematics
- e. Preference Factor G - Are not existing private schools seeking to convert to a PSKH.

s 9(2)(b)(ii) OIA, s 9(2)(h) OIA

17. During the due diligence process the following risk factors were identified:

a.

b.

18. The Board is confident that these risks can be satisfactorily addressed. The Board expects the applicant will be able to provide acceptable mitigations but, should that not be achieved, or if new unmitigated risks were to materialise, the Board's final recommendation to the Minister would be that the applicant not be approved as a sponsor at this time.

Blue Light Ventures Inc

19. A brief summary of the application is as follows:

- a. Blue Light Ventures Inc propose to open a senior secondary school (years 11-13) for males located in Wairakei Village, Taupo. A residential facility would be attached to the proposed school and most students would be expected to be residential.

- b. Their proposed school would be based on a philosophy of adventure-based learning.
- c. Blue Light Ventures intend to use their 79 bed lodge in Wairakei Village to operate the school.
- d. Crown funding for the school would be supplemented by philanthropic support and [REDACTED]
- e. The school would have an opening roll of 30 students, growing to a total roll of 90 students. The applicant notes that it may seek another site as it builds the school towards achieving its maximum roll.

s 9(2)(b)(ii) OIA

20. The Board's considerations included:

- a. The applicant is a very credible organisation with an impressive track record and a long and well-established relationship with the New Zealand Police.
- b. Blue Light Ventures successfully delivers a wide range of youth development programmes throughout New Zealand.
- c. The adventure-based learning component is innovative.
- d. An educational leader with strong credentials has been engaged.
- e. The applicant has engaged with and has the support of local Iwi (Tuwharetoa).
- f. The Board noted positive similarities between this application and Vanguard Military School (an existing successful PSKH).

21. The Board assessed the application positively against the following Government preference factors:

- a. Preference Factor A - Make effective use of the flexibilities offered by the model
- b. Preference Factor D - Propose to locate in an area or areas where there are students who are not being well served by the education system
- c. Preference Factor E - Bring together education, business and/or community sector partnership(s)
- d. Preference Factor G - Are not existing private schools seeking to convert to a PSKH.

22. During the due diligence process the following risk factors became evident:

- a. Financial: ongoing issues with the accuracy of the financial submission will need to be addressed and viability confirmed before a contract can be entered into.
- b. Property: practical issues with the property (licence to operate a hostel, proposal to share some of a neighbouring school) would need to be specified and addressed before a contract could be entered into.

23. The Board is confident that these risks can be satisfactorily addressed. The Board expects the applicant will be able to provide acceptable mitigations but, should that not

be achieved, or if new unmitigated risks were to materialise, the Board's final recommendation to the Minister would be that the applicant not be approved as a sponsor at this time.

Contract Values

24. The total contract values for the establishment period and the first six year term of the contracts are as follows:

| Applicant | Approximate Contract Value |
|--|----------------------------|
| Blue Light Ventures Inc | |
| Te Taumata o Ngāti Whakaue Iho Ake Trust | |
| Total | |

s 9(2)(j) OIA

Next Steps and Timeline

25. Following a decision, contract negotiations will be undertaken by the Ministry.

26. The applicants will be advised that:

- a. the Partnership School| Kura Hourua Authorisation Board has recommended to the Associate Minister of Education that she award them preferred applicant status; and
- b. caveated by the fact that Ministerial approval has yet to be received, the Ministry will continue to work with the applicants to resolve all outstanding matters and agree the contract terms.
- c. should they be approved to proceed:
 - i. all financial, legal entity and property matters identified by PwC and Chapman Tripp in their due diligence reports (as applicable) and the outstanding matters identified by the Ministry or the Board must be satisfactorily addressed and the contract schedules agreed by 30 April 2017
 - ii. the contracts must be finalised and signed by the applicants by 19 May 2017.

27. This will enable the Minister to consider and sign contracts by 31 May 2017, as per the timeline.