

9 October 2015

IM60/104/52/3

**Education Report: Addendum to the Education Report –
Consideration of the Future of Turakina
Māori Girls' College (194)**

Recommended Actions

We recommend that you:

- a **note** the information in this addendum to the earlier report (Metis 952178) to inform your decision on the options provided earlier for the future of Turakina Māori Girls' College;

AND EITHER

- b **agree** to initiate a second round of consultation on the proposed closure;

AGREE / DISAGREE

If you do agree you are asked to:

- c **sign** the attached letters to the Board of Proprietors and Board of Trustees, and
d **note** the attached proposed media statement.

OR

- e **disagree** with the option to initiate a second round of consultation on the proposed closure;

AGREE / DISAGREE

If you do not wish to undertake a second round of consultation:

- f **note** that the Ministry will develop letters and a media release to support your decision.


Katrina Caséy
Deputy Secretary
Sector Enablement and Support

Encls


Hon Hekia Parata
Minister of Education

*This is extremely
disappointing and
does not allow of
any other responsible
course of action¹.*

Education Report: Addendum to the Education Report – Consideration of the Future of Turakina Māori Girls' College (194)

Purpose of Report

1. This report provides you with details of the Turakina Māori Girls' College Proprietor's response to your letter of 24 September 2015 requesting additional financial information prior to your making your interim decision on the future of the school.
2. If you decide to proceed with a second round of consultation on the proposed closure to take effect on 27 January 2016, letters to the Proprietor and Board of Trustees are attached for your signature, along with a proposed media statement.

Background

3. The *Education Report: Consideration of the Future of Turakina Māori Girls' College (194)* (METIS 952178 refers) summarised the outcomes of the process of consultation with the Proprietor about the proposed closure of the school, and provided two options for your decision.
4. You acknowledged the concern and commitment to the school and its history of those who made submissions during the consultation period. However, you considered that the 'real questions' remained unanswered, ie: *1) the capacity of the Proprietor to ensure the safety of the property, and 2) the sustainability and the viability of the school roll and thus the resourcing of a quality curriculum for the girls.*
5. In order that you are able to assess the likely practical success of the aspirations for the future of the school reflected in the submissions, you asked the Proprietor in your letter of 24 September for further financial information before you make your interim decision about the future of the school.
6. You stated that if the required information could not be provided in an accurate and reliable way then the credibility of the proposals made in the submissions was not compelling. This means you would have no option other than to make an interim decision for closure of the school.
7. Specifically, you required by 8 October at the latest:
 - *details of the current financial position of the Trust verified by a Chartered Accountant (as at 1 September 2015), including details about the amount of debt the Trust owes, and*
 - *detailed projected costs of repairs to all school buildings to comply with earthquake-prone building standards.*
8. Meanwhile, the Proprietor's representative, Kathie Irwin, acknowledged your letter, advising that the Trust Board had met to discuss its response. She also advised that the full Board had been reinstated and that, while she remains a member of the Board, the newly elected Chair of the Board of Proprietors is Rev Wayne Te Kaawa to whom further communication should now be directed.

Proprietor's Response

9. The Proprietor responded on 8 October with a briefing paper providing financial information and comment as attached (Appendix 1). The information included:

- a balance sheet
- a profit and loss statement
- a 'draft budget 2015', and
- related comments.

The Ministry has discussed this information with the Proprietor's accountant and sought clarification on several issues.

10. With respect to your specific request about the current financial position of the Trust including details about the amount of debt owed, the financial statements provided by the Proprietor are incomplete. It is also noted that depreciation is not included in the Profit and Loss Statement.
11. As at 30 September, the Proprietor has a negative working capital figure of September invoices have not been included and these will further increase the negative working capital position by increasing the creditor balance. This means that the Proprietor has no funds to cover short term obligations. Cash reserves show a negative balance of comprising of a nett bank balance of and a revolving credit loan of (.)
12. The Proprietor provided further information about its processes for managing its debt, and cost savings, and its current negotiations with a potential investor.
13. With respect to your specific request about projected costs of repairs to all school buildings to comply with earthquake-prone building standards, the Board advised that as of 8 October it did not have that information available. Subsequently a Maintenance Report was provided.

Ministry Comment

14. The Ministry notes that the chartered accountant who provided the financial information is not the Proprietor's regular accountant and agreed to do the work on a voluntary basis for the Proprietor. The accountant indicated that the information was provided in a very short timeframe to meet your 8 October deadline. !
15. The information provided by the Proprietor has not alleviated the Ministry's concerns about the financial viability of the Proprietor. In particular, the following is noted:
- **Income:** In the Profit and Loss statement to 30 September, the full year's boarding fees for 2015 of have been included. The Proprietor has advised that this year's fees billing was completed on 30 September. No other significant income is expected in 2015. ✓

- **Debtors:** Debtor accounts receivable are shown as [redacted] Of this figure, [redacted] relates to the current year and the balance relates to historical debt prior to 2015 which is being pursued by debt collection agencies. Of this historical debt, only approximately [redacted] has been collected to date. The Proprietor has provided a 'doubtful debt' figure of [redacted] indicating that it is expecting that at least this amount will be written off as bad debt by the end of this year. ✓

- **Budget:** The 2015 budget provided by the Board is the original budget based on a roll of 80 students and has not been updated to reflect the reality of a roll of around 55 students, although the Proprietor has stated that significant cuts have been made to the budget in particular to catering at the hostel. No details of a revised budget have been provided. ✓

The Proprietor has stated that it was not intended to charge the full attendance fee in 2015 and that fees would be subsidised by sponsorship and/or investment. No information has been provided about levels of sponsorship or investment to date. ✓

- **Building repairs and earthquake strengthening:** The Proprietor has been unable to provide the information requested. It states that it has been seeking potential investors and sponsors to fund this work. It is noted that Kathie Irwin advised you in March 2014 that building and earthquake strengthening was *currently being costed. It is the number one priority on the works programme. It is planned to be signed, costed and tendered for upgrade within the month.* ✓

However, in response to a further query from the Ministry, Rev Wayne Te Kaawa advised on 9 October, that a building maintenance assessment for non-integrated buildings had been undertaken. The total funding required for maintenance of non-integrated buildings is approximately [redacted]. The Proprietor did not have funds to complete the maintenance without sponsorship or investor support. It is noted that this work can be done over a three to five year period. ✓

Rev Te Kaawa also stated that an assessment of required earthquake strengthening was on hold until your decision is known. The Proprietor does not have funds to cover this assessment. If your decision is to retain the school, the Board would formalise its agreement with a proposed investor to complete the earthquake assessment and underwrite the strengthening work. ✓

Conclusion

16. The Ministry considers the information from the Proprietor does not provide confidence about the Trust Board's ability to manage its financial affairs going forward. ✓
17. If you agree, and decide to proceed to a second round of consultation about the proposed closure, we have attached letters to that effect to the Board of Proprietors and the Board of Trustees, and a draft proposed media release.



TMGC BOP

PO Box

Marton

Thursday October 8th 2015

Hon Hekia Parata

Minister of Education

Private Bag 18041

Wellington 6160

Tena koe e te Minita,

In response to your letter of September 24 requesting further financial information, and in addition to the letter sent to you by Rev Wayne Te Kaawa on October 5th, please find a Briefing Paper setting such detailed information out. A set of appendices providing supporting information is attached to the Briefing Paper. Attachments which are too large to include in the paper are listed in the paper and attached to the email.

Hei te wa.

Dr Kathie Irwin, Trustee, TMGC BOP,

Convenor TMGC BOP Hostel Sub Committee

Pp Rev Wayne Te Kaawa

Chair, Turakina Maori Girls College Board of Proprietors

Moderator, te Aka Puaho, Presbyterian Church of Aotearoa New Zealand

Briefing Paper Minister of Education TMGC BOP Financial Information 08102015

Purpose

1. The purpose of this Briefing Paper is to provide the Minister with financial information for the Turakina Maori Girls College Board of Proprietors as at September 1 2015.
2. The Minister has requested this information to inform her interim decision about the future of Turakina Maori Girls College.

TMGC BOP Budget 2015

3. The TMGC BOP Budget 2015 is attached to this email as Attachment One.
4. This budget was prepared with the following operational assumptions:
 - a. The roll would be 80 girls;
 - b. Whanau fees for 2015 would not be set at a full recovery level, they would be subsidised by sponsorship / investment as proposed in the Tihei Turakina Project;
 - c. The full attendance fee would not be charged to whanau in 2015, but be part of the sponsorship / investment sought from external courses;
 - d. The old debt of whanau who still owe fees to Turakina is a major debt owed to the school that it is pursuing (debt level at Jan 2014 estimated at
 - e. The old debt will be pursued and has been handed to two external agencies to recover: half to Baycorp; and half to a local law firm Evans Henderson Woodbridge. To date in 2015 the law firm has recovered close to of this debt; Baycorp is recovering debt at an average rate of a month. Advice on this was taken from Robin Hapi and Peter Douglas, both Chairs of Maori Boarding School Proprietors entities.
5. With a current roll of 53 girls, and the target of 80 never reached for 2015, significant cuts had to be made to this Budget.
6. The major cut made was in the area catering. The external catering contract was not able to be varied despite the falling roll and so the school was paying \$ per week (the rate quoted at the beginning of the year, based on a projected roll of 80) to feed 53 girls.
7. The contract was cancelled and the catering taken over in house from Sept 1 2015
8. The in house cooks were protected by the Vulnerable Workers Act and we have employed them both (giving them both a slight increase in wages), with no issue and with better outcomes.
9. The part time hostel administrator position has been upgraded to Business Development Officer to co-ordinate all procurement and financials and to ensure that this part of the hostel operation runs smoothly and is cost effective.
10. Gains noted in the first month:
 - a. Catering costs are averaging at than per week, saving per week (projected savings from Sept 1 to Dec 12 2015, 12 weeks x
 - b. The menu is more nutritious;
 - c. The menu includes more fresh and local produce (we have an arrangement with the local new World – they advise us of the specials that are coming and the cooks plan the menu around these).
11. Donations as at September 1 2015 amount to approximately
12. A conference is being planned as a fund raiser on Nov 5 and 6 in Wellington. The conference was planned for 2016, in May, at Te Papa, but, given the low roll, and the need to generate external income more quickly, the conference was brought forward

to 2015. ,
Promoter.

i, a Turakina Old Girl, is the event Manager, Planner and

TMGC Income and Expenditure 2015

13. The financial position of the TMGC BOP as of September 1 2015 is attached as Attachment Two (Balance Sheet) and Attachment Three (Profit and Loss).
14. You asked that the financial report be prepared by a Chartered Accountant. The Chartered Accountant is Active Accountants 2001, Lower Hutt.

TMGC BOP Debt

15. The TMGC BOP debt includes three components:
 - a. Current accounts payable;
 - b. Revolving Credit Facility, to Baptists Savings;
 - c. Ministry of Education Suspensory Loan Write Down.
16. The TMGC BOP current accounts payable will be managed through the Term Four fees, scholarships and allowances payable.
17. The repayment of the revolving credit facility through Baptist Savings, will be managed through the repayment of whanau debt.
18. The status of the Ministry of Education Suspensory Loan write Down will need to be confirmed and negotiated with the Ministry of Education should the decision be made to lose the school.

Detailed Costings of Projected Costs of repair to all School Buildings to Comply with Earthquake Prone Buildings Standards

19. The TMGC BOP does not have these detailed costs of the full site to the specifications sought to hand as of Oct 8.
20. The TMGC BOP has been seeking sponsorship / investors through 2015 to fund such work.
21. Documents were sent to a broad range of potential investors / sponsors from January 2015.
22. An investor has been identified and is working with the Proprietor doing due diligence on the school.
23. The investor has written to the Minister / Ministry about their intention in this regard.
24. The Chair of the TMGC BOP has written to the Minister (Oct 8, Rev Wayne Te Kaawa) notifying of this due diligence process.

The names of two individuals have been withheld under section 9(2)(a) of the Official Information Act 1982 in order to protect their privacy.

Financial information has been withheld under section 9(2)(b)(ii) of the Official Information Act 1982 in order to avoid prejudice to the commercial position of the Trust Board.

Attachments One (TMGC BOP Budget 2015), Two (Balance Sheet) and Three (Profit and Loss) have been withheld in full under section 9(2)(b)(ii) of the Official Information Act 1982 in order to avoid prejudice to the commercial position of the Trust Board.