



**Education Report: Proposal from the Villa Education Trust for establishment of Mt Hobson Middle School as a Year 7-13 designated character school**

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	23 June 2020	<b>Priority:</b>	High
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1231520
<b>Drafter:</b>	Ken White, Senior Advisor	<b>Phone</b>	
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<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

**Purpose of Report**

The purpose of this report is to provide you with information on a proposal by the Villa Education Trust (VET) to establish a designated character school in Auckland, effective 2021. The Ministry recommends you decline this application. If you wished to progress this application you would agree to undertake consultation under section 157 of the Education Act 1989 (the Act).

**Summary**

1. MHMS is a Year 1-15 composite private school at 131 Remuera Road, Remuera, Auckland. The 1 July 2019 roll was 52 students.
2. It operates two classes (villas) within the campus, one for Year 7-10 students and the other for Year 11-13 students which is known as the Villa NCEA Academy.
3. MHMS currently leases a 1282m<sup>2</sup> premises at 131 Remuera Road from the Dilworth Trust. The lease cost is currently circa \$132,000 per annum and is due to expire in December 2020. The Dilworth Trust has indicated it could extend the lease to March 2021. We understand the Trust intends to demolish the property once the lease expires.
4. VET has therefore been considering its options concerning the future of MHMS. Along with closure, VET considered applying to negotiate integration or becoming a designated character school. The latter is not legally possible, as discussed below.

5. Meetings have been held between Alwyn Poole and Auckland Ministry staff to provide information on the application process for integration and designated character status.
6. On 9 December 2019, the Ministry's Auckland office received an application from Alwyn Poole, signed by Karen Poole of Villa Education Trust, seeking to 'transition' Mt Hobson Middle School to a designated character school (see Annex 1). This is not legally possible, but a new designated character school could be established and the private school closed.
7. VET's desire is that there be a designated character school, on a new campus located in the Newmarket/Epsom/Remuera area.
8. The application states that its purpose is to transition MHMS, which includes the Villa NCEA Academy (Years 11-13), for the start of the 2021 school year into a designated character school.
9. On this basis, VET seems to be of the impression that if establishment were approved the school would open for Term 1, 2021 and the Crown would lease premises for current and future students and staff until the new school was ready to open on the new site. There is no obligation on the Crown to do this, and it would be inconsistent with normal practice. Usually the date of establishment and the date of opening of a new school are many months (even 1-2 years) apart, and opening coincides with when the property is ready. However, you may choose to establish and then open the school to coincide with the termination of the current private school lease. This option is at your discretion. Temporary lease costs under this scenario are estimated at around \$350,000 - \$780,000 p.a. Note that leased accommodation might not be in the proposed location as sites are challenging to find, and it might result in the school having a restricted roll for some time. There is no current funding allocated to support these lease arrangements.
10. VET would like to have 180 places available for Years 7–10 (3 Villas of 60, in keeping with their model) and 60 places available to Year 11–13 students to do NCEA/UE. This is considerably larger than the current roll of 52 students at Mt Hobson Middle School.
11. VET's plan is that the school would provide high quality professional education and services in areas of need that are difficult for ordinary state schools to provide. The school would provide for, but not be limited to, children with high behavioural needs, children with autism, children with high abilities who lack output skills/focus, children with dyslexia, children with dyspraxia and children with high levels of anxiety.
12. The proposed designated character is the same as the existing designated character schools South Auckland Middle School (SAMS) and Middle School West Auckland (MSWA), which provide for Years 7-10. This has previously been confirmed as meeting the statutory requirements for being of a different character from ordinary state schools, providing a type of education that significantly differs from that available in ordinary state schools and it being desirable for students whose parents want them to do, to get such an education [METIS 1130697 and 1145229 refer].

13. One of the key factors in assessing proposed network changes is the level of community support and demand. VET has provided a number of references with over 200 parents, teachers and education professionals putting forward their names via Facebook to demonstrate that there is a need for this type of specialised education. VET advises that there are hundreds more children in need whose parents are not active in the Facebook groups that it polled. However we note that this does not demonstrate that this would transfer to the student numbers that VET is forecasting for the proposed new school.
14. VET has not confirmed whether it has identified a suitable site for its proposal but has indicated it has a site in mind that might be suitable. The applicant advises that it is exploring property options and that should the application proceed, options development would be a staged/negotiated process between VET and the Ministry in order to give the proposed new school every chance to succeed.
15. VET considers that it will be able to find premises at very low capital cost to the taxpayer, and that the development would have little or no effect on local schools and that the local schools will be, by and large, very supportive. The Ministry does not share the views that have been proposed about the very low capital cost associated with a new school in this area.
16. The Government is responsible for property costs associated with designated character schools. The areas identified for the proposed school are expensive and densely populated. Land acquisition processes are likely to be protracted and expensive when compared to other new school projects, for example in greenfield areas.
17. Residential land in this area is some of the highest cost per square metre in New Zealand, double that of other areas in Auckland such as Albany and New Lynn, and at least 20 times that of unserviced land such as Drury. With little vacant land we would need to buy developed land, incurring the cost of existing buildings as well as land cost. It is therefore likely to be challenging to find anything suitable and cost effective.
18. The Ministry has an existing long-term strategic land acquisition pipeline, to purchase sites for new schools outlined in the National Education Growth Plan. As part of this, the Ministry has unsuccessfully been seeking land for a state primary school in the same geographical area as preferred by VET for a number of years.
19. If a parcel of land can be found in this area the Ministry considers a state primary school would be higher priority than a very small designated character school.
20. Given the difficulties posed by the central Auckland property market, it is unlikely two appropriate sites in this geographic area could be found in a short period of time.
21. Property provision for the proposed school is not on any existing property pipeline, and no funding has been allocated to address the cost of property provision.
22. If property was required to be found for this school – this would negatively impact on the Ministry's other school property priorities in Auckland, and, unless additional new funding was provided, would mean other property initiatives would need to be cancelled or delayed.

23. For greenfield developments the lead-in time to undertake an evaluation of sites, negotiate a purchase, undertake a designation for the school and construct facilities could take between five and seven years and is subject to several factors, including those outside of the Ministry's control (e.g. Environment Court appeals). With no land immediately available these timelines can be even longer.
24. Post land acquisition and designation we anticipate it would take a further two to three years to build the school. An alternative solution is to acquire an existing building and modify the internal space to suit. In both cases the Ministry anticipates that a leased property solution would be necessary for at least the first three to five years. If established, the Crown would incur associated property costs of approximately \$15m - \$35m for a permanent site and new school.
25. The Ministry would not consider a long-term lease arrangement such as that proposed in the application, and would prefer a Ministry-owned asset as there is no long term security of tenure with a lease. Lease costs are also funded from a limited operating expenditure budget and will be subject to ongoing market rental escalation (particularly relevant in the Newmarket/Epsom/Remuera area). There might be limited or no scope for the school to grow in the future should this be required.
26. If the application is declined VET will need to investigate other accommodation options for the current private school. VET might also consider closing the private school and students would then enrol in their local state school.
27. The applicant does not appear to have communicated with boards of local schools in the identified area. However, as the proposed location for the new school would be within the central Auckland isthmus, in close proximity of where MHMS is currently situated, the impact on the schooling network is likely to be minimal. Equally, the proposed roll of the new school would be unlikely to provide significant additional capacity in the state school network.
28. If you agree we will undertake consultation with the boards of schools whose rolls might be affected, as is required under section 157 of the Education Act 1989 before the establishment of a designated character school.

## Recommended Actions

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The Ministry of Education recommends you:

- a. **note** that Villa Education Trust (VET) has applied to 'transition' Mt Hobson Middle School (457) to a Year 1 – 15 designated character school to be located in central Auckland;

**Noted**

- b. **note** that this is not legally possible, and we are treating this as an application to establish a new designated character school;

**Noted**

- c. **note** that the proposed designated character is the same as that of Middle School West Auckland and South Auckland Middle School, which were established with designated character status in 2018;

**Noted**

- d. **note** that the applicant advises it has support for the proposed school from parents, teachers and education professionals but has not consulted state schools in the proposed area;

**Noted**

- e. **note** a suitable property or accommodation option has not yet been identified, however the school's preferred location is in the central Auckland isthmus specifically Newmarket/Epsom/Remuera.

**Noted**

- f. **note** that VET seems to be of the impression that if establishment were approved at the end of 2020 the school would open for Term 1, 2021 and the Crown would lease premises for current and future students and staff until the new state school was ready to open on the new site. This is not normal practice (the date of establishment and the date of opening may be months or years apart). If you did wish to open the school for Term 1, 2021 it would likely cost \$350,000 - \$780,000 p.a. in lease costs and might not be located in the proposed area. There is no current funding allocated to support these lease arrangements;

- g. **note** that the Ministry does not support the proposal because of the very high cost, that we have unsuccessfully sought land in this area for a state primary school, which is a higher priority for funding than a small designated character school, and that allocation of land for the proposal would mean other school property priorities in Auckland would need to be cancelled or delayed unless further funding could be obtained. The proposed school would also not add materially to network capacity;

**Noted**

EITHER

- h. **decline** establishment (and therefore consultation will not be progressed) due to the small level of current demand for schooling of this nature, the limited additional capacity to the state school network that would be provided and the very high cost and practical difficulty in securing property for a school in the applicant's desired location;

Agree /  Disagree

OR

- i. **agree** that consultation under section 157 of the Act be initiated with the boards of all schools whose rolls might be affected within the central Auckland isthmus. This would allow us to provide a report for your consideration that also includes more detail of the costs and property options associated with the proposed school;

Agree /  Disagree

AND

- j. **sign** the appropriate letter to VET (attached at Annex 2) and return it to the Ministry to be forwarded and discussed with the applicant;

AND

- k. **agree** that this report be proactively released once a final decision is made. Any information that might need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Release /  Not release

Katrina Casey  
**Deputy Secretary**  
**Sector Enablement and Support**

/ /



Hon Chris Hipkins  
**Minister of Education**

1 / 7 / 2020

## Background

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1. Mt Hobson Middle School is a Year 1–15 private school established in 1979 at 131 Remuera Road, Remuera, Auckland. The 1 July 2019 roll was 52 students comprising 61.5% (32) European, 19.2% (10) Pacific, 7.7% (4) Māori, 5.8% (3) Asian, 3.8% (2) International and 1.9% (1) other.
2. On 9 December 2019, following discussions between the Ministry and Alwyn Poole of Villa Education Trust, VET lodged an application to transition MHMS to a designated character school for 2021. VET's proposal is for Mt Hobson Middle School to become a Year 7-13 co-educational designated character school. The school would have the same designated character as South Auckland Middle School and Middle School West Auckland, which provide for Years 7-10.
3. This is not legally possible. We are therefore treating the application as one to establish a new designated character school.
4. MHMS operates from premises leased from the Dilworth Trust. The Dilworth Trust has advised VET that it has future plans to take full market advantage of its properties. VET has agreed to terminate its lease at the end of 2020.
5. VET has therefore been considering its options concerning the future of MHMS. Along with closure it considered applying to negotiate integration or becoming a designated character school.
6. VET was the applicant in respect of two designated character schools (Middle School West Auckland and South Auckland Middle School) in Auckland that you established in 2018. VET previously operated two charter schools, under the same names as the replacement designated character schools.
7. As with the charter schools, it is not possible to change the private school into a designated character school. A new designated character school would be established and the private school would close.
8. If you wish to proceed with possible establishment of the school, the boards of schools whose rolls might be affected must be consulted under section 157 of the Education Act 1989. The Ministry undertakes this consultation on your behalf. This consultation is not required if you decide to decline the application for designated character status at this stage of the process.
9. VET has not confirmed whether it has identified a suitable site for its proposal but has indicated it has a site in mind that might be suitable. Since the application has been received, the Ministry has also been investigating property options for the proposed school. VET will be advised that whilst the designated character application is being considered it should not commit itself to alternative property solutions.
10. Ministry staff have identified an area within the Auckland isthmus where a possible site would need to be found. Consultation could therefore occur with schools in central Auckland whose rolls might be affected. We are advised that Dilworth Trust is prepared to look at an extension of the private school's property lease until March 2021.

11. Should the school be approved, then the Government is responsible for property costs associated with designated character schools.

### VET's application

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12. The application states that its purpose is to “transition” MHMS which includes the Villa NCEA Academy (Years 11-13) for the start of the 2021 school year into a designated character school. The proposed roll would be 180 students at Year 7–10 and 60 – 120 at Year 11-13.
13. Should the school be established Mt Hobson Middle School and the Villa NCEA Academy at 131 Remuera Rd would close.
14. A new school is proposed to be established within the vicinity of the Newmarket/Epsom/ Remuera area. This area has good access to transport hubs. It is proposed the school would have 180 places available for Years 7–10 (3 Villas of 60 in keeping with the VET model) and 60 places available to Year 11–13 students to do NCEA/UE. VET proposes a roll for the Year 11-13 Academy of up to 120 places.
15. VET's application also states:

“There would be provision of high-quality professional services in areas of need that are difficult for “ordinary State Schools” to provide. These would include, but not be limited to – high behavioural needs, children with autism, children with high abilities who lack output skills/focus, children with dyslexia, children with dyspraxia and children with high levels of anxiety. Children simply needing a learning boost as well as those already doing well would also be welcome in the school”.
16. The basis of the different character for the proposed school is based on the following principles:
  - Use of a project-based fully integrated curriculum in order to develop exceptional skills and knowledge sets.
  - Differentiated day structure with class size a maximum of 15 students
  - Values and spiritual education to develop the whole person
  - Growth mind set - to enable learners the opportunity to develop exceptional skill sets
  - An interactive community involvement focus
  - Very highly quality professional interventions for children with identified needs.
17. It is proposed that the new school would operate according to the designated character specified for SAMS & MSWA and also under the same combined Establishment Board of Trustees (EBOT). It should be noted that it is likely the current EBOT of SAMS and MSWA will be replaced by a permanent board by the time the proposed school would be established. If it is then the new designated character school will require its own EBOT.



18. Mt Hobson Middle School has operated for 18 years, charging fees that are now approximately \$15,000 per annum. It has had in the region of 48 students a year during that time. Over the last three years the Year 11-13 NCEA Academy (also charging fees) has had approximately 15 students per year. MHMS also receives many requests for scholarship places and the application assumes that if services were offered on a near to free basis there would be a significant number of families interested. Many of the students leaving SAMS and MSWA at the end of Year 10 have expressed a desire to stay within the VET structure and attend the Villa NCEA Academy for Years 11 to 13, but have been unable to afford to do so.
19. VET proposes the school open with a roll of 240. VET believes that an appropriate maximum roll for the school would be 240, but the board might apply for an increase to a maximum roll to 300 students at a later date.
20. VET is proposing that the school offers an educational hub providing a continuum of education from therapeutic classes for children with social, emotional and behavioural challenges, to a specialised class for students with learning disabilities, to a gifted enrichment class, to a mainstream middle school with an integrated project based curriculum. Through this inclusive model individual learning needs can be met.
21. Over 200 parents and teachers put forward their names on Facebook to demonstrate that there is a need in New Zealand for specialised education of this type.

#### Assessment of proposed designated character

22. The criteria for designating a state school such as the one proposed as a designated character school are set out in section 156(4) of the Act. They are:
  - a. the designated character school will have a character that is in some specific way or ways different from the character of ordinary state schools
  - b. it is desirable for students whose parents want them to do so to get such an education
  - c. students at the school will get an education of a kind that differs significantly from the education they would get at an ordinary state school.
23. The proposed designated character is the same as two existing designated character schools (South Auckland Middle School and Middle School West Auckland); this is the overarching "Villa" structure that allows for academic achievement and pastoral care. Education is project-based and has a focus on the "Growth Mindset" style of learning, based on the work of Carol Dweck. The current application states that the school's target market would be priority learners who have not previously achieved well in ordinary state schools, although the school would be obligated to enrol anyone whose parents accepted the designated character.
24. This has previously been confirmed as meeting the statutory requirements for being of a different character from ordinary state schools, it being desirable for students whose parents want them to do so to get such an education, and providing a type of education that significantly differs from that available in ordinary state schools [METIS 1130697 and 1145229 refer].

## Educational Viability of proposed model

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25. Mt Hobson Middle School works with a full range of students including many who have learning and/or behavioural difficulties and the school has provided the data analysis below.

Long term data for students who spent at least 1 year at MHMS for NCEA and University Entrance:

- 97% of these children attained Level 1 NCEA. (National average 72%). 43% of students gained Merit or Excellence endorsements.
- 88% of these children attained Level 2 NCEA. (National average is 77.4%). 30% of students gained Merit or Excellence endorsements.
- 63% of students attained Level 3 NCEA and 61% attained UE. The current national average for UE is 49%.

### *Ministry comment*

26. An aggregate of the data for all 2004-2018 School Leavers that attended Mt Hobson Middle School for at least one year, shows:
- 84.6% attained at least NCEA Level 1 (compared to 80.4% nationally).
  - 74.1% attained at least NCEA Level 2 (compared to 70.4% nationally).
  - 48.1% attained NCEA Level 3 or above (compared to 45.1% nationally).
27. These are moderate differences from national levels, and it is not clear how much is due to pedagogy and how much is simply due to having classes limited to 15 students or other factors not controlled for.

## Network Analysis

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28. Across the Epsom/Newmarket/Remuera areas there are two main secondary schools - Epsom Girls' Grammar and Auckland Grammar. Year 7-8 provision is provided by Auckland Normal Intermediate and Remuera Intermediate schools. All of these schools are popular, they have enrolment schemes and large rolls. The establishment of a new designated character school would have very little impact on the rolls of these schools, even allowing for the increased roll.
29. It should also be noted that the new school, if established would be providing a different approach to learning to that provided by ordinary state schools.
30. Under Cabinet guidelines, students whose parents do not associate with the designated character of a designated character school should be able to attend a reasonably convenient ordinary state school. There are a number of state schools in the proposed area and families can enrol at local state schools.
31. A full network analysis has not been completed as a location for the proposed school has not yet been identified. This analysis will be completed should you wish to proceed with consultation and further investigation of property options. However, the planned roll of the proposed school would also not add materially to network capacity.

## Education Review Office reviews of schools with this character

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The June 2018 ERO review states:

32. Mt Hobson Middle School is a small, private school for Year 7-13 students. Villa Education Trust, its owner, provides students with suitable premises, staffing, equipment and standards of tuition. Students follow a suitable curriculum that is consistent with the principles and achievement expectations of The New Zealand Curriculum (NZC) and underpinned by Christian values. Well considered policies and procedures successfully guide school operations.
33. Students experience small classes and have opportunities for individual learning in a remodelled villa. The well maintained villa provides students with a choice of learning spaces to work in. Since the 2013 ERO review, the trust has opened two other schools, in South and West Auckland. Students at Mt Hobson Middle School now have opportunities to interact with a larger group of students across the three schools for sporting and cultural events.
34. The school's strong philosophy, reinforced by its core values, has a positive influence on school operations. Respectful relationships at all levels of the school provide a foundation for successful teaching and learning. Students benefit from the positive and influential interactions they have with other students and adults.
35. The broad Year 7-10 curriculum provides students with a balance of structured class teaching and independent project work. Community facilities and resources such as libraries, museums, galleries and sports facilities are used by students for their learning. Students are able to apply their learning in practical contexts, including opportunities that provide services for different communities, in New Zealand and overseas.

### *ERO readiness SAMS & MSWA*

36. The initial readiness review for the two other Villa schools identified a number of areas that needed addressing around teacher professional development, developing culturally responsive pedagogy including developing staff and the EBOT's knowledge of Pacific learners' needs and cultural competence through Tapasā.
37. The reports concluded that preparatory work to ensure the opening of Middle School West Auckland and South Auckland Middle School in Term 1, 2019, had been well managed by the establishment board, the governance facilitator, the principal and the leadership team.

### Property Commentary

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38. MHMS currently leases a 1282m<sup>2</sup> premises at 131 Remuera Road from the Dilworth Trust. The lease cost is currently circa \$132,000 per annum and is due to expire in December 2020. The Dilworth Trust has indicated it could extend the lease to March 2021. We understand the Trust intends to demolish the property once the lease expires.

39. If the application for a designated character school is approved the Ministry will be required to provide the necessary property to support the maximum roll, as it would for any other state school.
40. The application is suggesting a long term maximum roll of 300 students (180 students at Year 7–10 and 60 – 120 at Year 11-13). The expected costs for the permanent solution are \$15m - \$35m and this would need to be provisioned within a future Budget appropriation. Residential land in this area is some of the highest costs per square metre in New Zealand. It is therefore likely to be challenging to find anything suitable and cost effective.<sup>1</sup>
41. The Ministry has an existing long-term strategic land acquisition pipeline, to purchase sites for new schools outlined in the National Education Growth Plan. As part of this, the Ministry has unsuccessfully been seeking land for a state primary school in the same geographical area as preferred by VET for a number of years.
42. If a parcel of land can be found in this area the Ministry considers a state primary school would be higher priority than a very small designated character school.
43. Given the difficulties posed by the central Auckland property market, it is unlikely two appropriate sites in this geographic area could be found in a short period of time.
44. Property provision for the proposed school is not on any existing property pipeline, and no funding has been allocated to address the cost of property provision.
45. If property was required to be found for this school – this would negatively impact on the Ministry's other school property priorities in Auckland, and, unless additional new funding was provided, would mean other property initiatives would need to be cancelled or delayed.
46. If you wish this application to be progressed we will undertake a detailed site options analysis with a view to utilising an existing landholding or, if required, acquiring and designating a site to provide permanent accommodation.
47. A high level assessment of the property consideration has been conducted in order to provide an estimate of the financial implications of establishing a new designated character school in the proposed area. To conduct this assessment Ministry staff liaised with Mt Hobson Middle School in order to understand its key property drivers. We understand that access to playing fields is not an essential part of the VET educational philosophy so this has been taken into account in the Ministry's assessment.

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<sup>1</sup> Based on recent sales the average estimated cost of residential land in Epsom/Newmarket/Remuera is over \$3,000 per square metre. This is approximately double the prices in other parts of Auckland such as Albany and New Lynn (both approx. \$1500/m<sup>2</sup>) and an order of magnitude more expensive than unserviced land in areas like Drury, Wainui and Warkworth (which is less than \$150/m<sup>2</sup>). In the case of Epsom/Newmarket/Remuera there is little if any vacant land, so any property purchased would need to include any houses or other buildings as well as the land, which would increase the cost even further.

48. For the purposes of the assessment an initial roll of 180 students has been adopted entitling the school to approximately 2650m<sup>2</sup> (excluding recreation space, parking and toilet blocks). Multi-storey development is a potential option for this school given the preferred location and cost/availability of land. The table below highlights some of the options identified in the high level property assessment.

Option	Current Market Examples	Potential Cost	Comment
Purchase vacant land for a new build	Residential sections between 737m <sup>2</sup> and 1323m <sup>2</sup> (minimum of 4 required to provide sufficient space)	\$25m land and buildings	Locating 4 adjacent vacant sections is highly unlikely
Purchase existing building and refit	8-10 Mountain Road (2125m <sup>2</sup> land, 1419m <sup>2</sup> floor area)	\$13m-\$15m + refit	Identified by school - Floor area limits roll
	140-150 Victoria Street (1760m <sup>2</sup> land 3400m <sup>2</sup> floor area)	\$18.5m + refit	Outside preferred area
Lease a building	205 Great North Road (2400m <sup>2</sup> floor area)	\$774,000 per annum plus opex	Office space may not align with 'Villa' philosophy
	308 Great North Road (1149m <sup>2</sup> floor area)	\$338,000 per annum plus opex	Office space may not align with 'Villa' philosophy  Limited space will place limitations on the roll.
Utilise existing Ministry land	Alexandra Park, Greenlane (3.2ha vacant land)	\$14m-\$16m build only	Land being held for future education use
Ministry land acquisition pipeline opportunities	University of Auckland Epsom Campus (1ha-2ha vacant land)	\$35m land and buildings	May compromise other educational needs
Explore co-location opportunities	None identified	\$13m +	Unlikely to find a school that is able to accommodate MHMS. Existing schools will need to accommodate roll growth

49. For greenfield developments the lead-in time to undertake an evaluation of sites, negotiate a purchase, undertake a designation for the school and construct facilities could take between five and seven years and is subject to several factors, including those outside of the Ministry's control (e.g. Environment Court appeals). With no land immediately available these timelines can be even longer.

50. This means that should establishment be declined, students currently at or intending to enrol at Mt Hobson Middle School would need to enrol in other schools unless VET makes other arrangements for the short-term continuation of the school.

51. The alternative would be for you to establish the school at the end of 2020 and open it from the start of Term 1, 2021 (to coincide with the end of the private school lease) and direct us to undertake temporary leasing of premises while the new designated character school property was being prepared for opening. This is not normal practice when opening a new school. Usually the date of opening of a new school coincides with when its property is ready. The replacement of charter schools with designated character or integrated schools was an exception, due to the unique circumstances of their closure. Should you direct us to lease a property for the school, the costs would be \$350,000 - \$780,000 p.a. We note that the site might not be in the proposed location and the size of the property might restrict the proposed roll growth. There is no current funding allocated to support these lease arrangements.
52. If the application is declined VET will need to investigate other accommodation options for the current private school. VET may also consider closing the private school and students would then enrol in their local state school.
53. The Ministry would not consider a long-term lease arrangement such as that proposed in the application and prefer a Ministry-owned asset as there is no long term security of tenure. Lease costs are funded from a limited operating budget and will be subject to ongoing market rental escalation (particularly relevant in the Remuera area). There might be limited or no scope for the school to grow in the future should this be required.
54. In summary, permanent property solutions generally have a long lead in time (four to seven years) and a solution for a new designated character school would be a comparatively high cost when compared to other new educational requirements currently in the Ministry's pipeline for delivery. Should the application for the proposed school proceed then the Ministry recommends that the initial focus for property be placed on securing temporary leased premises that provide for a limited maximum roll.

#### Possible Timelines

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55. Should the decision be to proceed with consultation and this be made before the end of June, consultation with affected schools under section 157 of the Education Act 1989 could occur before the end of July. Evaluation of property options and costs would take more time and would be included in a report-back by mid - end of October.

#### School Transport

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56. There would be no transport issues associated with this proposal.

## Financial considerations

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57. Guidelines for establishing a designated character school state an expectation for a minimum roll of 35 (e.g. for kura), growing to a roll of 300 for a secondary school within three to four years of establishment. As a middle (composite) school or intermediate the guideline would be for a roll of 200 students. Smaller roll sizes raise risks about the possible viability of the school.
58. If you wish the establishment of the proposed school to be progressed we will undertake analysis of the proposed operational costs which would be incurred for a school of this size. These details would be included in the next report, following consultation, which would be provided for your consideration.
59. If established, the Crown would incur associated property costs as indicated above of \$13m - \$35m for a permanent solution.
60. VET seems to be of the impression that if establishment were approved in November 2020 the school would open for the start of Term 1, 2021, and the Crown would lease premises for current and future students and staff until the new school was ready to open on the new site. There is no obligation on the Crown to do this, and it would be inconsistent with normal practice. Usually the date of a school opening coincides with when its property is ready. However, you may choose this option at your discretion. Lease costs for this scenario are estimated at around \$350,000 p.a. for a smaller-sized premises or \$780,000 for a larger-sized premises. We note that the leased property might not be in the proposed area and it might impact on the proposed roll growth. A There is no current funding allocated to support these lease arrangements.

## Risks and mitigation

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61. If this application is declined there is a high probability that the applicant would go to the media with its complaints about that decision.
62. In this eventuality we would work with your Office to develop suitable media responses.
63. Declining the application would likely see Mt Hobson Middle School close after March 2021. Should this be the situation we would work with the school and families to assist transition to appropriate settings within the state network.

## Next Steps

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64. Approve and decline letters for the applicant are attached as Annex 2.
65. Please return the relevant signed letter to the Ministry and we will forward it to the applicant, and discuss it with them.

## Proactive Release of this Report

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66. If you decide to decline the application we propose to proactively release this report in the next proactive release cycle, in line with your expectations.
67. If you decide to progress to consultation, we recommend that this report be proactively released once a final decision is made. Any information that might need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

## Annexes

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Annex 1: Application and additional supporting information

Annex 2: Alternate letters to the applicant.

Released under the Official Information Act 1982



Released under the Official Information Act 1982

Annex 2 Letters to the Applicant

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- Approval letter
- Decline letter

Released under the Official Information Act 1982

Released under the Official Information Act 1982

Alwyn and Karen Poole  
Villa Education Trust

Dear Alwyn and Karen

Thank you for your application seeking to transition Mt Hobson Middle School and the Villa NCEA Academy to a designated character school.

As this is not legally possible, I have considered your application, along with advice from the Ministry of Education, on the possible establishment of a new designated character school in the central Auckland isthmus area that would effectively replace the existing school.

Although there is no definite property yet identified for the proposed school I have decided to agree to initiate consultation with the boards of all schools in the wider area whose rolls might be affected if the proposed school were to be established and your private school closed.

The Ministry will conduct this consultation on my behalf. The Ministry will also further investigate the property options available for the proposed school. I understand you have a potential property solution to put forward.

Once the consultation is complete the Ministry will provide me with this information so that I can make a decision on whether or not to establish a new designated character school.

Please liaise with Ken White, Senior Advisor in the Ministry's Auckland office regarding this proposal. Ken can be contacted on 09 632 9470 or by email at [Ken.White@education.govt.nz](mailto:Ken.White@education.govt.nz).

Yours sincerely

Chris Hipkins  
**Minister of Education**

cc Isabel Evans, Director of Education for Auckland

Decline letter to VET

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Released under the Official Information Act 1982

Alwyn and Karen Poole  
Villa Education Trust

Dear Alwyn and Karen

Thank you for your application seeking to transition Mt Hobson Middle School and the Villa NCEA Academy to a designated character school.

As this is not legally possible, I have considered your application, along with advice from the Ministry of Education, on the possible establishment of a new designated character school in the central Auckland isthmus area that would effectively replace the existing school.

The Ministry has provided me with advice, including a range of projected costs for establishing a new designated character school of the type proposed.

Budget 2019 provided funding for a four year window to address school-aged population growth in New Zealand. Through the National Education Growth Plan a priority pipeline of funding has been allocated from this pool. Approval of a new designated character school as proposed would require reallocation of funding away from priority projects or a new Budget bid while not adding materially to network capacity. Accordingly I have decided not to establish the proposed new school.

If you have any queries about this decision please contact Isabel Evans, Director of Education in the Ministry's Auckland office.

Yours sincerely

Chris Hipkins  
**Minister of Education**

cc Isabel Evans, Director of Education for Auckland