



## Education Report: Condition assessment funding for playcentre properties

<b>To:</b>	Hon Chris Hipkins, Minister of Education Hon Tracey Martin, Associate Minister of Education		
<b>Date:</b>	7 July 2020	<b>Priority:</b>	Medium
<b>Security Level:</b>	In confidence	<b>METIS No:</b>	1234268
<b>Drafter:</b>	Cara des Landes	<b>DDI:</b>	s 9(2)(a)
<b>Key Contact:</b>	Siobhan Murray	<b>DDI:</b>	
<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	Yes

### Purpose of report

This paper seeks confirmation as to whether the Ministry should contract a third-party to undertake an independent condition assessments of playcentre properties or whether the funding should be provided to Playcentre Aotearoa to manage the process.

### Recommended Actions

The Ministry of Education recommends you:

- a. **indicate** whether the condition assessment of playcentre properties should be:

**EITHER**

- i. Option 1: managed by the Ministry to ensure the condition assessments meet the requisite standard for input into a future Budget process

Minister of Education **Agree** Disagree

Associate Minister of Education **Agree / Disagree**

**OR**

- ii. managed by Playcentre Aotearoa through a contract with the Ministry that:

1. Option 2a: states that the assessments must meet a specified standard and be provided to the Ministry

Minister of Education **Agree** **Disagree**

Associate Minister of Education **Agree / Disagree**

OR

2. Option 2b: does not put any standards on the assessments, with the resulting assessments unlikely to be able to be used in future Budget processes.

Minister of Education Agree **Disagree**

Associate Minister of Education Agree / Disagree

### Proactive Release Recommendation

**Agree** that this Education Report is proactively released, with the exception of Annex One as the information it contains is commercially sensitive.

Minister of Education **Agree** Disagree

Associate Minister of Education Agree / Disagree



Siobhan Murray  
**Acting Group Manager**  
**Education System Policy**

07/07/2020



Hon Chris Hipkins  
**Minister of Education**

22 / 7 / 2020

Hon Tracey Martin  
**Associate Minister of Education**

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### Recommended Actions

The Ministry of Education recommends you:

- a. **indicate** whether the condition assessment of playcentre properties should be:

#### EITHER

- i. Option 1: managed by the Ministry to ensure the condition assessments meet the requisite standard for input into a future Budget process

Option 1 Minister Martin noted:  
I understand that this amount of money will cover around 80 playcentres under this option.  
I would like to ensure that Playcentre is the organisation that selects which 80 of their centres they want assessed. Thanks

Minister of Education **Agree / Disagree**

Associate Minister of Education **Agree / Disagree**

#### OR

- ii. managed by Playcentre Aotearoa through a contract with the Ministry that:
- Option 2a: states that the assessments must meet a specified standard and be provided to the Ministry

Minister of Education **Agree / Disagree**

Associate Minister of Education **Agree / Disagree**

OR

2. Option 2b: does not put any standards on the assessments, with the resulting assessments unlikely to be able to be used in future Budget processes.

Minister of Education **Agree / Disagree**

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Minister of Education **Agree / Disagree**

Associate Minister of Education **Agree / Disagree**



Siobhan Murray  
**Acting Group Manager**  
**Education System Policy**

07/07/2020

Hon Chris Hipkins  
**Minister of Education**

  /  /  



Hon Tracey Martin  
**Associate Minister of Education**

10/07/2020

## Background

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1. Cabinet has agreed to provide \$3.7 million of funding to Playcentre Aotearoa and \$500,000 to the Ministry to commission a third party to undertake a condition assessment of targeted playcentre properties [CAB-20-MIN-0279 refers].
2. At a meeting with officials on Monday 30 June, Minister Martin requested further information on the funding for the condition assessment, including:
  - excerpts of the Cabinet paper that make it clear it does not cover all 420 playcentre properties
  - the benefits and risks of the Ministry contracting a third party, compared to providing the funding to Playcentre Aotearoa.

## Excerpts of the Cabinet paper

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3. This reference to the condition assessments is in paragraph 14 and recommendation 3 of the Cabinet paper:
  - Paragraph 14: *"we also seek \$500,000 for the Ministry to commission a condition assessment of buildings identified as at risk of closure, to inform further work."*
  - Recommendation 3 *"agree to support Playcentre Aotearoa by providing one-off funding of \$3.7 million in 2020/21 as well as funding for the Ministry of Education to commission an independent condition assessment of buildings at risk of closure."*

## Coverage of the condition assessments

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4. When the Ministry met with Playcentre Aotearoa in July last year, the organisation requested funding for a condition assessment of all of its properties. As part of the Budget 20 bid, the Ministry provided a costing of \$500,000 for the assessments. This costing was based on a previous Ministry estimate of \$1 million for condition assessments of 700-900 early learning services on Crown land [METIS 1207116 refers].
5. Following Budget 20 announcements, Playcentre Aotearoa met with Minister Martin to request further funding for property remediation. The Ministry revised our recommended approach to the condition assessment, as we had recently undertaken a similar exercise with kōhanga reo.
6. As part of the WAI 2336 Treaty claim findings, the Crown had agreed to discuss funding needs relating to kōhanga reo properties with Te Kōhanga Reo National Trust (the Trust). The Trust had previously sought funding for property remediation based on condition assessments undertaken independently of the Ministry. However, there were concerns about the robustness of the assessments at that time.
7. Due in part to this, the Ministry directly sourced WSP Opus to undertake a formal<sup>1</sup> condition assessment of 28 kōhanga reo properties in 2019, with the Trust's agreement. This cost \$188,000 – amounting to approximately \$6,700 per property. The results of the assessments informed the property component of a Budget 2020 bid.

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<sup>1</sup> Using the Ministry's 10 Year Property Plan expectations and guidelines, which are used to assess and plan for school building needs over time.

8. The Ministry selected WSP Opus as their membership of the EIS Strategic Partners Panel provided us with sufficient confidence in their capability to do the work. We understand WSP Opus could have carried out further condition assessments at a somewhat lower per property cost, as the initial assessment fee included a range of project set-up costs.
9. We consider the Trust's condition assessments to be a more accurate reflection of costs to achieve the required standard for inputs into a future Budget process. An example of a condition assessment undertaken for the Trust is attached as Annex One. This assessment identifies areas for maintenance and remediation as well as the possible cost of repairs.

### **Benefits and risks of where funding for the condition assessment sits**

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10. There are three options for the condition assessments:
  - **Option 1:** Condition assessment funding is provided to the Ministry
  - **Option 2a:** Condition assessment funding is provided to Playcentre Aotearoa through a contract that states that the assessments must meet the requisite standard
  - **Option 2b:** Condition assessment funding is provided to Playcentre Aotearoa through a contract that does not put standards on the assessments.
11. The condition assessment process is likely to uncover issues with Playcentre Aotearoa's buildings that require remediation, including those that require immediate action. Playcentre Aotearoa may seek additional funding to address these issues from the Crown. The request for additional annual funding that Playcentre Aotearoa provided to Minister Martin's office on 27 May indicates they would like an annual allocation for property maintenance.
12. If the purpose of the condition assessments is to support a future Budget initiative to address some or all of these issues, we recommend Option 1 or Option 2a.
13. Option 1 will ensure the resulting condition assessments meet the requisite standard for informing Budget costings. Option 2a affords Playcentre Aotearoa more control over the process, but may mean the resulting assessments are of lower quality than under Option 1.
14. However, Option 1 and Option 2a are not likely to be Playcentre Aotearoa's preference. At a meeting with the Ministry on 25 June, Playcentre Aotearoa indicated that they wish to undertake an assessment on all playcentre properties. They have had discussions with a contractor who would be able to undertake this work for \$500,000.
15. Option 2b would allow Playcentre Aotearoa to do this. However, it is likely that the resulting condition assessments would not meet the requisite standard for robust costings of a future Budget initiative.

### **Option 1: Condition assessment funding is provided to the Ministry**

16. Under this approach, the Ministry would work with Playcentre Aotearoa to select buildings for condition assessments.

17. Selection of the condition assessment provider would be subject to the public procurement process. As such, the Ministry would have confidence that an appropriate provider would be appointed. This includes ensuring that the provider is independent and not likely to misrepresent the condition of the properties.
18. The Ministry would have input into the terms of the contract, which would allow for a rigorous assessment process. Given this, it is likely that the resulting assessment and accompanying estimates of remediation costs would be of a standard acceptable to the Treasury's Better Business Case process to support future Budget bids.
19. However, this approach would mean there is an ongoing administrative burden on the Ministry. Playcentre Aotearoa has also stated that this approach is not their preference.

### **Condition assessment funding is provided to Playcentre Aotearoa**

#### *Option 2a: contract states that the assessments must meet the requisite standard*

20. Under this approach, the Ministry would provide Playcentre Aotearoa with funding for the condition assessments through an agreement that obligates the organisation to ensure the assessments meet the requisite standard. The Ministry could also require the results of the assessments to be provided to the Ministry.
21. As the organisation is not subject to procurement rules, they may be able to initiate the condition assessments faster. This approach would also reduce the ongoing administrative burden on the Ministry.
22. Under this approach, it is likely that Playcentre Aotearoa would need to prioritise buildings. It is unlikely the organisation would be able to find a contractor to undertake a condition assessments on all buildings to a high standard for \$500,000.
23. The resulting assessments may also be of a lower quality than those resulting from a Ministry-managed contract.

#### *Option 2b: contract does not put standards on the assessments*

24. Under this approach, the funding would be provided to Playcentre Aotearoa through a contract that enables them to undertake condition assessments on their terms. This would allow the organisation to undertake a condition assessment on all properties and is therefore likely to be Playcentre Aotearoa's preference.
25. However, the resulting condition assessments may not be at the requisite standard for supporting robust costings in a future Budget process.