

Public Private Partnerships for School Property

This fact sheet provides information on public private partnerships (PPPs) and school property.

A PPP for a school means that the private sector design, build, finance and maintain the school property over a long term contract (25 years). For some school property projects, the PPP model offers the best opportunity to deliver value for money. This is because the private sector partner chosen to deliver the asset is also responsible for its long-term performance so design, construction and maintenance decisions are made with the longer term in mind. Board of trustees and school leadership can focus on improving educational outcomes for their community as property matters are the responsibility of the private partner.

FAQ : Public Private Partnerships for New Schools

What is the role of the Establishment Board of Trustees (EBoT) in the PPP procurement process?

The EBoT have an important role to play in the process. They will work with specialist education advisors to determine the educational vision for the school. The vision will help develop the output specification. The output specification is, essentially, a brief for the PPP project. It defines the requirements for the school and covers issues such as accommodation, facilities and level of service and is the basis for bidders to prepare their proposals. They are the key stakeholder in the design development process although final decision making remains with the Ministry.

Will the community be able to use the school facilities?

The board of trustees decide who can use the school facilities and when. The primary purpose of the facilities however is for providing education and the PPP contract will include provisions for the school to use the facilities outside of core school hours.

What about private sector involvement in education?

There will be no private sector involvement in education beyond providing and maintaining the buildings that enable teaching and learning to take place. The teachers still provide the teaching and all decisions on the education lie with the board of trustees and school leadership. A PPP simply offers an alternative method to deliver and maintain a school.

How does the PPP partner make their money and where does this come from?

The private sector currently build and maintain school facilities. The architects, construction companies and facilities management providers involved all make a profit for delivering their services. The PPP is no different in this regard other than all of the services are grouped together. The Ministry pays a quarterly payment, called a unitary charge to the private partner which is subject to them meeting specific performance standards.

The government can borrow money at a cheaper rate than the private sector so how can a PPP represent value for money?

While it is true that cost of borrowing money for the private sector can be higher than the Government, and the PPP procurement process is more expensive for both parties, both factors are taken into account when calculating the net savings. For the second schools PPP project, we estimate savings of between 2-8% when compared to traditional new school procurement methods. These savings result from efficiencies in joining the design, build and ongoing maintenance costs together.



What happens if the design is wrong? What scope does the PPP arrangement allow for changes over 25 years?

The design development phase of the project includes extensive review processes which allow the Ministry and the EBoT to comment on the designs. The property will be designed and built to meet the Ministry's weather-tightness requirements (as well as the Ministry's modern learning environments criteria and the five-star Green Star standards).

In the unlikely event that the design does not achieve the required functionality or technical requirements (for example air-conditioning is not working) then the private partner has to rectify this at their cost. If the functional requirements changed (for example, a space is no longer fit for purpose), there are provisions in the contract that allow the Ministry to make a change. This works in the same way as most contracts as in the scope, time and cost would all be agreed prior to any work being undertaken.

Is there an opportunity for a local architect with Māori/Pasifika understanding to be brought into the process?

It is important that the facility represents the needs of the school community. The Ministry will work with the EBoT to discuss opportunities for other parties to be involved in the process where appropriate. This may be for definition of the requirements and also identify opportunities for involvement with the bidders.

FAQ : PPP Schools Project 2

Which schools are included in this PPP?

Each school will have its own board of trustees. Establishment boards will oversee the development of the four new schools.

School	Proposed Opening
Aranui Community School (Christchurch)	January 2017
Rolleston Secondary School (Canterbury)	January 2017
Wakatipu High School (Queenstown)	January 2018
Ormiston Junior College (Auckland)	January 2017

Why are four schools in three different regions being bundled together?

Based on previous PPPs in New Zealand and overseas, the total value of a school PPP needs to be greater than \$100 million to be attractive to the market and deliver value for money for taxpayers and the government.

This means that a PPP project needs to include a number of new school projects. However, concentrating the project in one region may place undue pressure on local construction firms, particularly in Christchurch, and could lead to increased price pressures. Therefore, the Ministry selected schools in different regions to take advantage of regional economies of scale while not concentrating in one region.

Through the Ministry's market sounding process, it became clear that the market is capable of delivering and maintaining schools in different parts of the country and keen to do this.

What is the value of this PPP project?

The exact cost will not be known until after the procurement process and negotiations with the successful consortium are complete. The Ministry estimates the cost of construction and maintenance for the project will be over \$200 million.

Is the Ministry of Education considering the use of public private partnerships for other schools?

The Ministry will continue to consider the use of PPP for projects of sufficient scale.

What happens if the quality or prices of bids do not meet expectations?

The Government retains the right to revert to traditional means of procurement if that would provide the best value for money and best services for taxpayers.

Indicative timeline

