

In Confidence

Office of the Minister of Education

Chair, Cabinet Social Wellbeing Committee

Towards a Comprehensive Reform of School Property

Proposal

- 1 To ensure all students and teachers can learn and work in quality environments that support their success, I propose a comprehensive reform of school property that will form the basis of a long-term plan to protect and improve the Crown's \$30 billion school estate.

Executive Summary

- 2 Too many of our schools have outdated or worn-out facilities that no longer meet their educational needs. I want all schools to provide a learning environment that best supports educational success, and one that students, parents, whānau and communities can take greater pride in.
- 3 To achieve this, I propose a comprehensive reform that will clearly define roles and responsibilities for school property in line with the 2017 recommendations made by the Office of the Auditor General.
- 4 These reforms will provide the basis for a long-term plan to progressively upgrade the Crown's estate and ensure that, by 2030, all state schools are providing quality learning environments.
- 5 The plan will set out actions needed to optimise the Ministry of Education's contribution to successfully managing, maintaining and improving the school estate.
- 6 New strategies will be developed to improve the way the assets are maintained, replaced and improved in order to keep pace with population growth, support innovations in teaching and learning, and create more inclusive school environments.
- 7 It is my intention that the plan will not involve further use of public private partnerships.
- 8 The Ministry of Education will advise me of opportunities for reform mid-2018. These will be discussed with sector groups and more fully developed. I intend presenting reform proposals, along with the first iteration of a long-term plan for school property, to Cabinet in October 2018.

Background

The scope and scale of the Crown's school estate

- 9 The Ministry of Education (the Ministry) oversees the Crown's school property estate which is made up of around 2,100 state schools with more than 17,500 buildings. The estate includes approximately 8,000 hectares of land and has a replacement value of around \$30 billion.

- 10 More than 1,000 schools, or nearly half the estate, were established over 100 years ago to meet the education demand and demographic patterns of the day. Most school buildings were constructed between 1965 and 1975 giving the estate's facilities an average age of around 45 years. We know several hundred buildings have been assessed as being below average condition with a cost of around \$160 million to address this. However, other factors like fitness for purpose and extent of surplus space at both a school and local network level will be factors in any investment decisions.
- 11 In recent years there has been a rapid need to expand the school estate to meet demand. Since 2013, 28 new schools have been approved to keep pace with the growth in student numbers. School-aged populations are growing quickly in major urban areas where land is at a premium, (Auckland, Hamilton, Tauranga, Wellington and Queenstown) leading to accommodation pressures, while schools in provincial areas generally have declining rolls and property that is not required. Our response to immediate pressures will be included in this month's Budget Cabinet paper and subsequent announcements.

Responsibility for school property

- 12 The Ministry shares responsibility for managing the school estate with around 2,100 individual school boards of trustees who are elected for three-year terms.
- 13 There is a high degree of variance in the success of the current model, with some boards doing an excellent job of prioritising resources and keeping ahead of essential maintenance, and others not keeping pace with day-to-day property management.

Investing in school property

- 14 Each year schools receive around \$280 million to spend on their property. This includes approximately \$80 million through operating grants for maintenance, and a further \$200 million through five-yearly funding allocations for board-run capital projects.
- 15 The Ministry provides additional funding to assist schools in a number of situations that include helping them address priority works and meet the needs of students that require additional support. Since 2013:
 - i. learning support modifications have been carried out in 1,200 schools (just over half the estate) at a cost of more than \$100 million; and
 - ii. an additional \$760 million has been invested to carry out development works that were beyond the scope of schools' funding allocations.
- 16 The Ministry manages a capital investment of around \$600 million nationally to establish new schools; redevelop, extend and modify existing schools; fund the Christchurch rebuild, and support major programmes such as weathertightness remediation and earthquake strengthening.
- 17 Overall, despite this ongoing and significant level of investment, there are still examples of aging and worn-out facilities.

Key issues

- 18 Key issues affecting the quality of the school estate and making property management more complex include a lack of clarity around roles and responsibilities; variance in school board capability; and aging infrastructure.

Roles and responsibilities for property management

- 19 In July 2017, the Office of the Auditor General released the report “Managing the school property portfolio”, which stated that investing in, and maintaining, school property is important for creating an effective education environment for students.
- 20 The report recommended that the Ministry of Education take steps to strengthen accountability for school property management and improve the Crown’s school estate.
- 21 A specific recommendation was to more clearly define roles and responsibilities of the Ministry, principals, and boards of trustees for managing property. It was noted that roles and responsibilities may differ between schools based on variables that include size and location.

Board capability to manage property effectively

- 22 Understanding and knowledge about property management and maintenance varies from school to school.
- 23 Some boards are clear about expectations and have the experience to effectively look after their property and seek assistance from the Ministry as needed. Other boards lack the knowledge, skills and experience they need to manage day-to-day issues and make long-term investment decisions.
- 24 This variance in capability can be seen in many of New Zealand’s small schools, which make up more than half of the school estate.

State of school property

- 25 The Crown’s school property estate involves nearly 2,100 schools around the country that deliver education to the majority of New Zealand’s school students.
- 26 Around 57% of school buildings are more than 40 years old and do not necessarily meet current standards for temperature, humidity, air quality, acoustics and lighting. They were also not necessarily designed to support today’s flexible and technology-rich teaching and learning methods.
- 27 While older buildings are usually timber-frame constructions that are relatively resilient, they require ongoing management to keep them fit-for-purpose, minimise operating and renewal costs, and present an environment that is attractive to parents, students and communities.
- 28 I ask that you review Appendix 1 which provides a further illustration of the scope, characteristics and state of school property, and the opportunities to achieve positive change.

Use of public private partnerships

- 29 Agencies have been required to consider public private partnerships (PPP) as a procurement approach for any significant investment [CO (15) 5]. In a PPP, the private sector finances the up-front costs and facilities management, then this is paid back by the Crown over a concession period of 25 to 30 years.

- 30 The Ministry of Education has used the PPP procurement approach to create contracts with consortiums to design, build and maintain new schools. To date, 6 schools have been constructed using this procurement approach and are now in the maintenance period of the contract.
- 31 The experience with PPP has identified three limitations of this procurement approach.
- 32 The use of PPP contracts creates long-term (25 year) debt for the Crown, and with each school built, more of Vote Education is pre-committed to servicing these debts.
- 33 The PPP contracts confine the Crown to a single partner for subsequent changes and school alterations over the contract period.
- 34 Combining facilities management into the PPP contracts has led to a situation where these schools have preferential access to a service that is not available to others. I do not intend to further perpetuate this inequity.
- 35 As PPP's confirm long-term contracts prior to construction, the engagement with school and community stakeholders is limited during the procurement process and across the life of the project.
- 36 The Minister of Finance, Minister of Health and I will shortly be taking a paper to Cabinet seeking agreement to exclude the Health and Education portfolios from the Cabinet Office Circular on PPPs.
- 37 Joint Ministers will shortly consider advice on the use of PPP across government and then decide on the appropriate use of PPP's as a procurement option.

Proposed approach

- 38 I propose undertaking a comprehensive reform to address the issues raised in this paper and implement the Auditor General's recommendations for greater clarity around roles and responsibilities for school property.
- 39 I have asked the Ministry of Education to review current settings and develop options to optimise its role in protecting the quality and value of the Crown's school estate.
- 40 The Ministry will engage sector groups on key proposals and consult with the Treasury on potential changes to funding models and fiscal implications.
- 41 I intend to consider options for change mid-year. I will then direct the Ministry to develop reform proposals and a long-term plan to protect and improve the Crown's school estate, without involving further use of public private partnerships (PPP).
- 42 A key objective of the plan will be to progressively upgrade the estate and ensure that, by 2030, all state schools are providing quality learning environments.
- 43 The plan will define roles and responsibilities for managing, maintaining and improving the Crown's school estate. It will include an overarching investment strategy and actions needed to embed strategic asset management practices, set minimum property service levels, and lift school presentation standards.

- 44 These actions will be presented in the context of ongoing work needed to keep pace with growth, support innovations in teaching and learning, and create more inclusive schools.
- 45 I propose to present reform proposals and a first iteration of a long-term plan for school property to Cabinet for consideration in October 2018.
- 46 I anticipate that across government, many portfolios will be experiencing similar challenges, and responding to similar capacity constraints. It may be beneficial for Ministers to collectively consider options and align our responses on shared infrastructure issues.

Opportunities within a comprehensive reform of school property

Supporting environmental future-proofing

- 47 Between 2009 and 2013, the Ministry of Education worked with environmental accreditors to review a sample of new schools against a range of sustainability measures. This process helped revise the Design Quality standards for Learning Spaces (DQLS) that are used when planning and constructing school buildings. These standards consider opportunities to reduce energy consumption, lower emissions, improve durability and support education outcomes. It may be timely to review the performance of new and existing property against 2018 expectations and technological solutions.
- 48 The government is committed to reducing emissions and working to mitigate climate change. The education portfolio as a state asset provides both a sizeable investment, and a public signal of our priorities. Where appropriate, we want our schools to be able to lead the way with solar and other renewable energy solutions that both reduce school power bills and help educate the next generation of New Zealanders.
- 49 I intend the reform of school property to consider additional ways we can improve the environmental sustainability of school property and to explore the energy consumption and generation behaviours within schools.

Managing and redevelopments and school property works

- 50 Following *Tomorrow's Schools*, Boards have managed their own property works drawing on a 10 year budget allocated to the school. Some Boards run into difficulties for a range of reasons that include the use of sub-standard contractors and selection of poor building designs. These problems have contributed to 'legacy' issues that continue to impact the estate such as leaky buildings, seismic risk, and buildings being not fit-for-purpose or failing to stand the test of time.
- 51 Managing school property has become increasingly challenging in recent years and is a growing distraction for school leaders.
- 52 There is now an increased need for specialist and technical skills, including the use of engineers, architects and experienced project managers. This is due to higher standards and expectations around weathertightness, earthquake resilience, ICT infrastructure, and inclusive access – all of which significantly extend the scope, scale and costs of school property projects. Recent changes to health and safety regulations have also increased responsibilities for managing risk and liability.
- 53 Since 2011, the Ministry has taken on management of major and complex capital works across the estate and provided schools with more property guidance and support. Schools continue to have full oversight of their maintenance spend and still have a key role in all capital investment decisions.

- 54 Consideration could be given to improving the management of minor works and delivery of facilities management, as it is likely there would be opportunities to use the Ministry's bargaining strength to cost effectively lift service standards.
- 55 Clarifying accountabilities would be vital in ensuring school property investment decisions consider the age and condition of facilities; ongoing maintenance needs; changing school rolls; and whether or not facilities are fit-for-purpose to best meet the needs of all students now and in the future.

Ensuring quality standards for property services

- 56 State schools receive around \$80 million each year of discretionary funding in their operations grants so they can maintain their buildings and conduct projects under \$5,000. While most schools use this funding well and schedule regular inspections and repairs, others defer maintenance or fail to prioritise it. In some locations, access to service providers can also affect the ability of schools to keep all required maintenance works on schedule.
- 57 Failure to conduct low-level, routine maintenance is a leading contributor to property condition issues. I expect that improving the consistency of basic maintenance practices across the estate will significantly reduce the number of buildings needing costly repairs or replacement, which would save the Crown hundreds of millions of dollars long-term.
- 58 I have asked the Ministry to explore ways it can establish minimum property service levels (and schedules) that can be monitored and supported and if need be, enforced to avoid building deterioration (this could cover routine services such as gutter cleaning, building wash-downs and cosmetic exterior painting but also has the potential to consider scheduled minor works).
- 59 Consideration could be given to making greater use of centralised service delivery where national and regional contracts could improve economies of scale, and deliver improved quality of services and products for all schools. This approach could cover both work funded from the property maintenance grants and the school's five-year property agreements.
- 60 There may also be opportunities to consider changes to contracting practices to help shift the property management burden, in an accountable way, from schools to service providers and reduce school staff involvement in these tasks.

Improving school presentation

- 61 The importance of the physical appearance of schools has potentially been underestimated, as it's clear that a lack of visual appeal can have a negative impact on the decisions parents make about where they enrol their children. This can contribute to declining numbers for some schools and capacity pressures for others.
- 62 Schools that present a welcoming environment often enjoy a high degree of community buy-in that supports increased student pride, better maintained facilities and awareness of the role school property plays in educational success.
- 63 I have asked the Ministry to explore options to help schools create visual environments that best represent their aspirations.

- 64 This may involve encouraging better links between students and the schools they attend through educational connections, regional or national initiatives, or project-based competitions that engage communities to create school environments that best represent their towns and cities. Consideration will also be given to ensuring minimum standards of presentation are met across the entire school estate.

Consultation

- 65 The Ministry of Education has consulted with the Treasury, the Department of Prime Minister and Cabinet and State Services Commission on the development of this paper.

Financial Implications

- 66 All state schools receive property maintenance funding within their annual operations grant and five-yearly capital funding to help them look after, improve and modernise their property.
- 67 The Ministry manages a large scale capital investment programme to expand and renew the estate, and assist schools with complex property issues. The Ministry also provides schools with additional funding for infrastructure modifications to support students with higher needs.
- 68 Proposals for any changes to current funding models and other financial implications, will be considered by Cabinet in October 2018 as part of the long-term plan for school property. This will enable any financial implications to be included in the Budget 2019 process.

Human Rights

- 69 Although access to education is a basic right, the quality of the school environment currently varies from building to building, and from school to school.
- 70 This paper seeks to develop an approach that, over time, will bring greater consistency to the management and maintenance of state schools and improve the learning experience for all students.
- 71 The consideration of proposals on property responsibilities and obligations are at an institutional level, and as such have no direct human rights implications within the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative Implications

- 72 This paper proposes the Ministry of Education identify opportunities for reform to improve the quality and sustainability of school property. This may involve clarifying expectations, standards, incentives and sanctions within regulatory tools. Any legislative proposals will be aligned with the Review of Tomorrow's Schools.

Gender Implications

- 73 The proposal to reconsider the approach to school property responsibilities and obligations has no direct gender implications. Though it is recognised that there are single sex boys/girls schools and co-ed schools within the state system, improvements to school property do not differentiate based on gender.

Disability Perspective

- 74 School property reform could be a powerful lever for effective inclusive education. Poor property design, functionality, condition and maintenance can have a particular impact on students who need additional support to learn in school environments. The introduction of any approach that seeks to improve the consistency of property standards (within or between schools), and ensure that assets are appropriately maintained, will minimise the potential negative impacts on the learning of all students, particularly those with higher needs.

Publicity

- 75 The Ministry of Education will engage sector groups to refine key proposals for a reform of school property. Announcement of any key changes and developments could be made in late 2018 following Cabinet decisions in October/November or as part of the Budget 2019 process.

Recommendations

- 76 I recommend that the Cabinet Social Wellbeing Committee:
1. **note** that the Government wants all schools to provide a learning environment that best supports educational success, and one that students, parents, whānau and communities can take greater pride in;
 2. **note** that currently, too many schools have outdated or poor-quality facilities that no longer meet their educational needs;
 3. **note** that despite an increasing level of investment, school property issues are linked to the age of the school estate, the need to focus resources on expansion and issues such as weathertightness, and school-level investment decisions including deferred maintenance;
 4. **note** that a lack of focus on property issues, maintenance and presentation can lead to costly repairs and building replacements, and contribute to poor levels of enrolments in some schools which can, in turn, create capacity pressures in others;
 5. **note** that the Ministry of Education currently shares responsibility for managing the Crown's \$30 billion school property estate with around 2,100 individual school boards of trustees who are elected for three-year terms;
 6. **note** that in July 2017, the Office of the Auditor General recommended there be clearer definition of the responsibility for managing and maintaining state school property between the Ministry of Education, principals and boards of trustees;
 7. **agree** that the Ministry of Education identify opportunities for reform to optimise its contribution to successfully managing, maintaining and improving the presentation of school property;

8. **note** that the Ministry of Education will advise the Minister of Education about opportunities for reform mid-2018;
9. **note** that the Minister of Education will consider reform proposals and direct development of a long-term plan to protect and improve the Crown's \$30 billion school estate:
 - (i) The long-term plan for school property will identify actions needed to progressively upgrade the Crown's estate and ensure that, by 2030, all state schools are providing quality learning environments
 - (ii) The plan will clearly define responsibilities for managing and maintaining school property (between the Ministry of Education, principals and boards of trustees)
 - (iii) A focus of the plan will be setting an overarching investment strategy that prioritises funding to improve the condition and functionality of school property
 - (iv) Key actions will be developed to improve the way the assets are maintained, replaced and improved in order to keep pace with population growth, support innovations in teaching and learning, and create more inclusive school environments
10. **invite** the Minister of Education to report back to Cabinet in October 2018 on proposals for a comprehensive reform of school property, and present the first iteration of a long-term plan to protect and improve the Crown's \$30 billion school estate and ensure quality learning environments by 2030;
11. **note** that there are many challenges common to Education, Health, and Housing including procurement, management, building standards, and capacity constraints;
12. **invite** the Minister of Health, Minister of Finance, Minister of Education, and other Ministers as appropriate, to consider options for a shared response to infrastructure challenges that are being considered by infrastructure Ministers.

Hon Chris Hipkins
Minister of Education

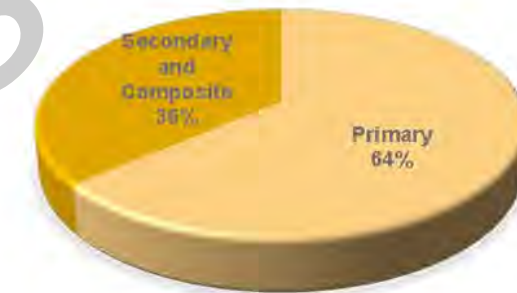
Overview of the State School Property Estate

Size, age, condition and fitness for purpose

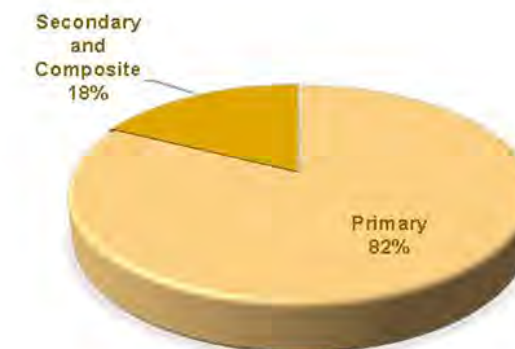
Appendix 1

Quick overview:	Volumes		School Size			Land ³		Buildings		
	Schools	Roll 2017	Average	Median	Largest	Land area	Land value	Building area	Replacement Cost	Book Value
Primary ¹	1,679	419,473	250	200	1,253	3,975 ha	\$3.2 billion	317 ha	\$12.9 billion	\$6.0 billion
Secondary ²	359	239,971	668	496	2,933	3,206 ha	\$2.0 billion	277 ha	\$10.3 billion	\$4.6 billion
Total State	2,038	659,444	324	232	2,933	7,181 ha	\$5.2 billion	594 ha	\$23.2 billion	\$10.5 billion

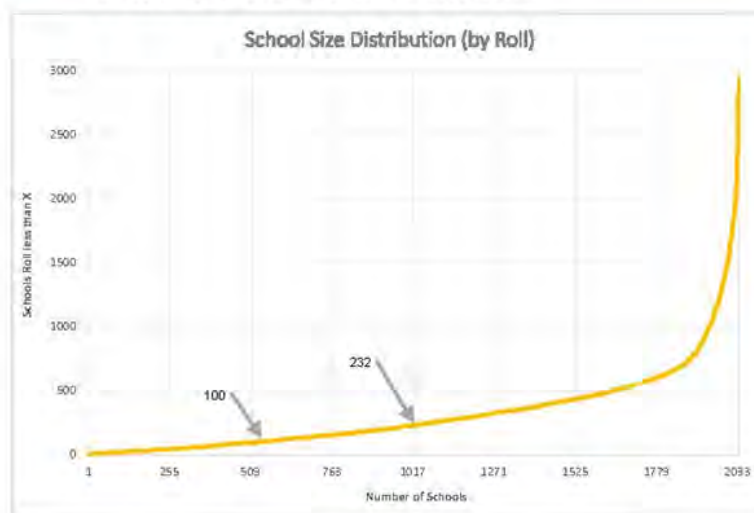
School Type by proportion of roll



School Type by proportion of schools

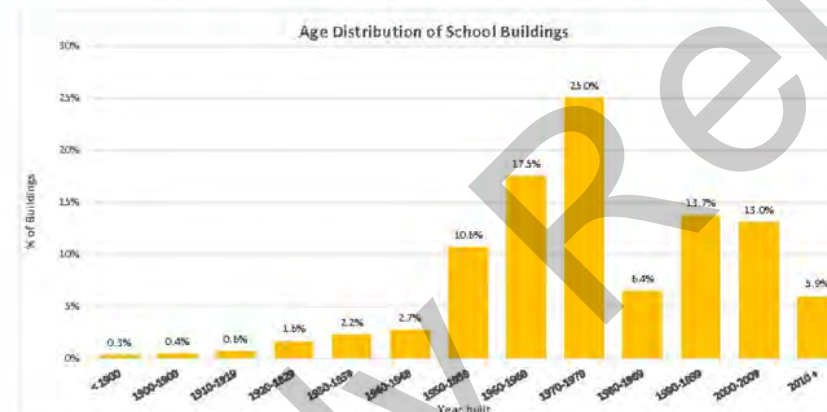


Schools tend to be small...



- The portfolio is characterised by small schools with a relatively small number of large schools
- Half the schools in the portfolio have a roll below 232
- 26% of schools have a roll of less than 100

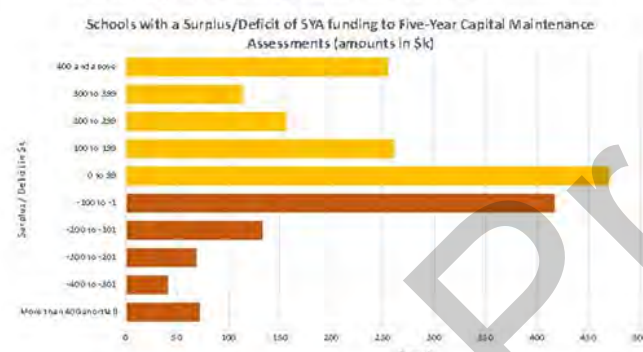
Most buildings are older than 40 years...



- Approximately 26% of buildings were built in the last 20 years. 57% were built more than 40 years ago.
- Generally, the older buildings are of timber-frame construction and are resilient provided they are well maintained.
- However, they tend to have traditional cellular classrooms, and risk functional obsolescence over time as teaching methods change.

Condition (capital maintenance)...

- The results below compare five year capital maintenance funding (5YA) and five year maintenance forecasts ("condition assessments")
- Surpluses can be used towards modernisation
- Deficits may require Ministry intervention, top-up of funding, or deferral of maintenance.

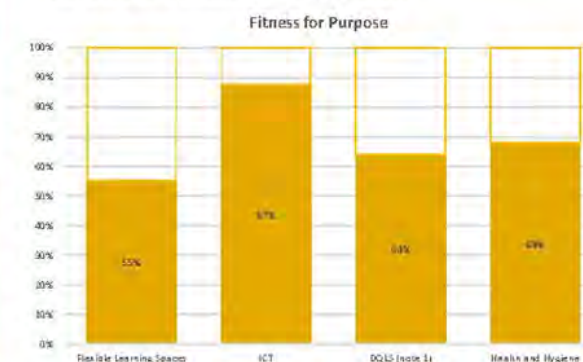


Why condition matters ...

- Schools that are in good condition are potentially safer and healthier environments to teach and learn in.
- They can help instil pride in the school community and sometimes in the wider community.
- They are also likely to be more attractive and find it easier to attract teachers and students.
- Schools in poor condition can disrupt learning due to unavailability or other issues.
- Maintaining schools to comparable standards can help reduce the perception that some schools are better than others within a network.
- Maintaining good condition helps prevent accelerated degradation and expensive repairs or rebuilds. It supports building resilience and sustainability and can reduce operating costs.

Fitness for purpose (initial views)...

- The following results are from an initial and simple survey of fitness for purpose covering around 30% of buildings.
- There are opportunities to improve both the assessment framework and performance in support of educational outcomes.



Why fitness for purpose matters ...

- Learning environments that fail to meet good standards¹ for temperature, humidity, air quality, acoustics and lighting can act as an impediment to effective teaching and learning.
- Flexible learning spaces can support different pedagogical practices and are more likely to remain functional as these practices change.
- Technology-enabled learning spaces support modern teaching and learning expectations.
- Improved accessibility helps more students attend and participate fully at school.
- Good design can help instil pride and improve attendance and other behaviours and reduce opportunities for bullying.

¹ The Ministry's Designing Quality Learning Standards (DQLS)

¹ Primary includes intermediate schools.

² Secondary includes composite schools. Figures are for state schools only and exclude state-integrated, private schools, houses, and other institutional assets (ECEs, TPUs, Health Camps, and Special Schools) and construction projects underway.

³ Land area and values exclude closed and proposed sites. All data as at 30 November 2017, except Roll data (March 2017 for primary and July 2017 for secondary) and land and building valuations (30 June 2017).