

Hobsonville School Public Private Partnership

Questions and Answers

What is a PPP?

For a school, it means the private sector would design, build, finance, and maintain the school property over a long-term contract, in this case 25 years. Provision of education would remain the responsibility of the board of trustees.

What are the benefits of school PPPs?

PPPs deliver a number of benefits including:

- Boards of trustees and school leadership no longer have to worry about maintaining school property, which is the responsibility of the private partner. This allows them to focus fully on student learning and achievement.
- Maintenance of school facilities is carried out by professionals to an agreed standard.
- There is potential for better value for money. In this case the saving is relatively small – officials estimate it would be about 1 per cent over the contract period.
- There is more price certainty for taxpayers through greater price competition and a more accurate and transparent assessment of whole-of-life costs.
- The Crown is no longer exposed to design and construction risks like leaky buildings. These become the responsibility of the private partner who must fix them promptly or face financial penalties.
- It gives officials another procurement choice which means they can better match projects with procurement options.
- It exposes officials to a range of new techniques they can apply to their asset management and procurement across the public service.

What would a PPP mean for students and teachers?

There would be no significant changes for students or teachers in terms of educational outcomes.

What schools are included in this PPP?

Hobsonville Point Primary School (Years 1-8) will open to all year levels at the start of 2013 and Hobsonville Point Secondary School (Years 9-13) will open to Year 9 students at the start of 2014 and other year levels in subsequent years.

How big will the schools be?

Based on the Ministry of Education's analysis of demographic information and the existing capacity within the local schooling network, the primary school will be constructed to accommodate a final roll of 690 students and the secondary school a final roll of 1,500 students.

How does the Ministry of Education currently procure property for new schools?

Since 2007, the Ministry of Education has procured new school property through a

single-line of accountability, guaranteed maximum price model. This is an approach where the ministry tenders for a consortium to undertake the design and construction of new schools under a two-stage contract to design, then build. The consortium is responsible for a design that can be built within the maximum price. At the completion of construction, the Government owns the asset and is responsible for its maintenance.

How would a Public Private Partnership work for these schools?

The Ministry would enter into a contract with a private partner for a set term. The partner would be responsible for designing, financing, building and maintaining the property, leaving boards of trustees with more time to focus on leadership, student learning and achievement, and the operation of the school.

Under a PPP, the private sector partner would be responsible only for the school property for the 25-year term of the contract. They would receive performance payments at specific milestones in the contract.

Why is a single Establishment Board of Trustees being used for these two schools?

The Ministry owns two separate sites in the Hobsonville Point development. It makes sense to think about the vision of these schools jointly and in association with the local community and other stakeholders in the development such as Hobsonville Land Company.

Will there still be a single board of trustees once the schools open?

Under the Education Act 1989, a board of trustees can be responsible for more than one school. The decision to continue as a combined board or split into separate boards for each school rests with the board itself. Usually, an establishment board will hand over to an elected board of trustees six months into the operation of the school.

Could PPPs become the norm for financing and building new schools?

PPPs would not be suitable for all schools and they will only be used when they stack up against traditional procurement methods. It is likely that PPPs will only ever be a small portion of the amount the Ministry of Education spends each year on school property. The Ministry is already applying lessons learnt from its investigation of PPPs to its other procurement and asset management practices and will decide whether a PPP is suitable for each future project.

What sort of safeguards would be written into the contract?

The contract will include a series of key performance indicators. If these were not met deductions would be made to payments to the PPP contractor. Ultimately the Crown will retain the right of 'step in' and terminate the agreement should dispute resolutions fail to remedy underperformance.

Would you expect NZ companies to tender for a PPP?

Yes. Market sounding exercises suggest there are a number of local companies interested in a school property PPP, in addition to overseas companies with local offices and overseas companies looking to enter the New Zealand market.

What happens if the quality or price 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.