



## **Briefing Note: Marlborough Schools Co-location Project**

<b>To:</b>	Hon Erica Stanford, Minister of Education		
<b>Date:</b>	5 December 2023	<b>Priority:</b>	High
<b>Security Level:</b>	Budget Sensitive	<b>METIS No:</b>	1319807
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### **Purpose of Briefing**

This briefing note provides a brief summary of the Marlborough Schools Co-location project, responds to several key questions you have raised about the project:

- a. When did the Ministry first know the project would exceed the approved budget?
- b. When was the previous Minister of Education informed that the project would exceed the approved budget, and what further engagement occurred since then?
- c. What is the roll projection for the three schools in the project?
- d. What are the alternative options for the project?
- e. What engagement with the community has occurred to date?
- f. How could these be communicated with the community?

### **Summary**

1. The Ministry of Education has a multi-year project to rebuild and co-locate Marlborough Boys' College and Marlborough Girls' Colleges and rebuild and relocate Bohally Intermediate. The project was first approved in 2015 following community consultation, and in 2018 Cabinet approved the co-location pathway which determined the current scope of the project [GOV-18-MIN-0061].
2. The 2018 Cabinet paper approved the Ministry to proceed with co-location of the Marlborough Colleges on the current site of Marlborough Girls' College and Bohally Intermediate if a suitable greenfield site could not be identified [GOV-18-MIN-0061].
3. The scope approved by Cabinet in 2018 carried an indicative cost estimate of \$170 million, to be funded from Ministry baselines. At this time, Cabinet delegated final approval within this envelope to Joint Ministers of Finance and Education for approval.
4. In 2020, an independent business case updated the estimated cost to \$250 million. The increased costs were driven by more accurate project costing, the need to co-locate on a brownfield site, and to account for uncertainties around staging and decanting. It became clear that the project could not be funded from Ministry baseline

funding, and therefore we sought capital injection for the project for the first time in Budget 21.

#### *Cost increases*

5. Since 2020, the cost escalation has exceeded the 2% allowance in the 2020 independent business case. Between 2020 and 2022 the project forecast considered significant cost increases, including:
  - a. Unprecedented Construction cost uplift, driven by COVID-19 (costs doubled between 2020 and 2022)
  - b. A subsequent increase in design fees
  - c. The inclusion of a more realistic future escalation and contingency uplift (adding \$80 million to the project, based on the high level of inflation that had been experienced to date)
6. In total, this took the project forecast budget from \$250 million to \$405 million.
7. In November 2022, the Ministry provided advice to the former Minister of Education and met with him to discuss the pathway forward at Agency [METIS 1300298 refers]. The Minister directed us to continue and as part of those next steps, Ministry officials identified the ability to reduce scope and the build roll, which reduced the forecast cost to \$380 million.
8. The Ministry had already received funding through Budget 21 and confirmed that this project was not affordable from baseline and therefore project funding would be sought year-on-year through the annual Budget process. This provided the Treasury and Cabinet with the opportunity to monitor and assess whether the project should continue as it moved through each stage of delivery.

#### Answering your key questions

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##### **When did the Ministry first know the project would exceed the approved budget?**

9. As per the 2018 Cabinet decision, the Ministry explored greenfield site options in Blenheim, and when no suitable site could be identified, the Ministry began planning for a co-location on the combined Marlborough Girls' and Bohally site, with Bohally to be relocated to the Marlborough Boys' site.
10. In 2020, the Ministry commissioned an independent review of the project by Deloitte, which produced the 'Refreshed Business Case'.

##### **When was the previous Minister of Education informed that the project would exceed the approved budget, and what further engagement occurred since then?**

11. In Budget 21 \$6.3 million was allocated to the Marlborough Co-location project, to fund one year's design activities. Both Cabinet and The Treasury had engagement and oversight as part of the budget cycle.
12. In November 2022, the Ministry submitted a Briefing Note to the then Minister of Education updating him on the Marlborough Co-location project, which advised that the project costs would breach \$170 million [METIS 1300298 refers].
13. The paper was discussed the following week at the Agency meeting. The Ministry was directed to continue to deliver on its commitments.

14. In Budget 23, a further \$36.62 million was allocated to the project to progress initial design, planning and enabling works activities.

**What is the roll projection for the three schools in the project?**

15. The build roll for the project was first set in 2020 and was reviewed at the end of 2022 as part of the Ministry’s scope reduction. Based on the updated roll projection Marlborough Boys’ College could peak at just under 1,100 students in 2025 and Marlborough Girls’ College could similarly peak at 1,050 in 2025.

School	2020 Build Roll	2022 Revised Build Roll
Marlborough Boys’ College	1250	1050
Marlborough Girls’ College	1250	1050
Bohally Intermediate	575-600	575-600

**What are the alternative options for the project?**

16. The table below summarises these options at a high level:

Option	Scope Description	Funding requirements (estimated)
Option 1	<p><b>Proceed with extended programme:</b></p> <ul style="list-style-type: none"> <li>Option 2 but over a longer timeframe, with lower annual cashflow requirements</li> <li>Includes ~\$10 million to allow for inflation</li> </ul>	\$390 million +
Option 2 [Current Approach]	<p><b>Proceed as planned:</b></p> <ul style="list-style-type: none"> <li>New collocated Colleges</li> <li>New Intermediate School on a different site</li> <li>6 – 7 years</li> </ul>	\$380 million +
Option 3	<p><b>Proceed with reduced Scope and Extended Programme:</b></p> <ul style="list-style-type: none"> <li>Option 4 but over a longer timeframe, with lower annual cashflow requirements.</li> <li>Includes ~\$5 million to allow for inflation</li> </ul>	\$325 million +
Option 4	<p><b>Proceed with reduced scope, resulting in a mega campus:</b></p> <ul style="list-style-type: none"> <li>Retain Intermediate as is</li> <li>New Co-located colleges on the same site as the existing Girls’ school, next to the Intermediate</li> <li>Results in reduced outdoor space and higher number of students accommodated on one site</li> <li>Preserves options to relocate intermediate in future, or consult community on its need in the network</li> <li>Not fully satisfying school and community expectations</li> </ul>	\$320 million +
Option 5	<p><b>Stop the Co-location project; remediate only</b></p> <ul style="list-style-type: none"> <li>Abandon Co-location objective;</li> <li>Invest in redeveloping the existing schools in their present locations as required; and</li> <li>Still required capital injection as baseline funding is fully committed.</li> </ul>	9(2)(b)(ii)

17. Physical works that were due to commence in February would have effectively committed the Crown to the full scope of the project. The Ministry has made internal arrangements to defer the commencement of physical works, which provides you with time to consider the options and provide an alternative direction.

### **What engagement with the community has occurred to date?**

18. In addition to the schools, the Marlborough community has been widely consulted since 2015 when the original consultation produced the co-location objective.
19. Four iwi are working closely together as Crown partners in this project. School Board of Trustee members of the Project Governance Board are elected community representatives.
20. Further opportunities for community engagement have occurred throughout planning and design via a range of channels, including face-to-face contact, drop-in sessions, a website, phone and email responses, media releases and letterbox mailers.

### **How could these be communicated with the community?**

21. When the Ministry reduced scope at the end of 2022, we communicated directly with the schools.
22. Prior to providing advice and options to the Minister, we shared the options with the schools to test their appetite for a change in approach. Both schools opposed any co-location option that saw them accommodated in a combination of new and refurbished buildings. The option was perceived by the schools as inequitable, as it would result in one school receiving new facilities, while the other was in refurbished facilities on the same site. As these options were not supported by the Minister the schools were happy to proceed.
23. At the end of 2022, our Network team engaged with the schools to develop a refreshed Network forecast. The refreshed forecast supported the reduction in build roll (reducing 400 student places). Senior officials visited the schools to discuss the reduction. While the schools did not completely agree with the refreshed forecast, they accepted the revised build roll and worked with the Ministry's design team to make the required changes, which involved removing 20 teaching spaces from the design.
24. No direct engagement with the community occurred at this time, as the changes were managed directly with the schools.
25. We have built strong relationships with the three schools and iwi and will seek leverage these relationships to communicate any possible changes to the plan. However, there will be pushback depending on the level of scope change envisaged, as was evident when we last engaged with them on scope in November 2022.
26. In addition, the wider Blenheim community has had extensive involvement with the project. Depending on the level of scope change, we would also need to consider community-facing channels such as further face-to-face sessions and media releases.

### **What has been spent on the project to date?**

27. To October 2023, over \$25 million has been invested in the project, \$22.6 million on planning, design and enabling works, with a further \$3 million spent preparing the schools to adapt to new teaching approaches. A breakdown of this spend is provided as Annex One.

*Direction required*

28. Physical works were scheduled to commence in February 2024, which would effectively commit the Crown to the full programme of works. The Ministry has decided to defer the start date.
29. By pausing now there is time to consider both the scope and the delivery approach.
30. Projects of this size generally lend themselves to funding arrangements that spread the cost over a number of years, rather than expecting the costs to be managed in a four-year Budget cycle. However, while major projects are potential candidates for delivery via a Public Private Partnership arrangement, the establishment process is time consuming and schools would be unsatisfied with the delivery timeframe
31. We now require your direction to inform how we proceed. We would like to meet with you to discuss the dimensions of change, which include:
  - a. Should we proceed with the current scope, or should the Ministry pursue options to either reduce the scope or deliver the scope differently (for example, retaining and refurbishing existing facilities)?
  - b. Should we identify alternative funding approaches that spread the project costs over a longer timeframe (either through a 'go-slow' delivery approach or through alternative delivery mechanisms)?

**Proactive Release**

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- a. **agree** that this paper is not published as it includes commercially sensitive information, Budget Secret information and free and frank advice.

**Agree / Disagree**



Scott Evans  
**Hautū | Deputy Secretary  
Te Pou Hanganga, Matihiko |  
Infrastructure & Digital**

7/12/2023

Hon Erica Stanford  
**Minister of Education**

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## Risks and/or Benefits

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32. Pausing the commencement of physical works has allowed time for a review of the current approach, with the ability for you to direct the Ministry as to how you would like us to proceed.
33. If the pause continues for an extended period, without a clear direction for next steps, there is a risk to project delivery timeframes and a significant stakeholder relationship risk. The schools and the wider community are heavily invested in the project and any delay is likely to cause concern.

## Next Steps

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34. We have requested an in-person meeting with you to discuss the Marlborough co-location further, where we will seek further direction.
35. Following discussion with you and any further directions, we will develop a communications approach to engage with the schools, which we will share with your office.

## Annexes

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The following are annexed to this paper:

- Annex 1: Marlborough Co-location Spend Summary  
Annex 2: Marlborough Co-location Project Summary

9(2)(f)(iv)



Proactively Released

## Annex 2: Marlborough Co-location Project Summary

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### The Project

1. The Marlborough Schools Project will co-locate the Marlborough Girls' College and the Marlborough Boys' College on the existing Marlborough Girls' College site and rebuild and relocate Bohally Intermediate to make way for the development. The Project will result in all three schools having new facilities for 2,675 learners including 140 new teaching spaces, across 25,000m<sup>2</sup> of new school buildings.
2. Marlborough Girls' College and the Bohally Intermediate School are currently located on the same site, adjacent to one another. The co-location is planned to occur on this site, with the Bohally Intermediate School relocated to the current Boys' College site to make way for the development.

### Background

3. Condition issues were identified in the Colleges between 2011 and 2013. Up to 60 percent of each of the Colleges' buildings were identified as requiring extensive investment.
4. Community consultation in 2013 identified different options for secondary education in the region, feedback showed a clear preference for co-location, 63.5% supporting this approach.
5. In 2015, the then Minister of Education, Hon Hekia Parata announced that the Colleges would be co-located and the impetus for the Project shifted away from a pure asset condition response, to also achieving the benefits and outcomes of co-location.
6. Co-location presents an opportunity to share facilities between the Colleges to improve collaboration, education delivery and increase curriculum offerings, while addressing existing condition issues. The current plan provides for more than half of the campus to be shared, e.g. Gymnasium, Hall, Library, Administration and specialist science and technology facilities.

### Decisions over time

7. A 2015 business case, 2018 Cabinet paper, and 2020 refreshed case for investment all confirmed co-location was the preferred option (see **Figure 1** for the Project's timeline).
8. In 2015, the Ministry prepared a business case setting out multiple options ranging from remediation to rebuild and relocate. The business case process recommended an option to remediate with advanced Innovative Learning Environment update. However, co-location was the preferred option by the Colleges' Boards and community, as it was viewed as an opportunity to enhance collaboration and share resources.
9. In October 2015, Cabinet approved the Ministry spending \$63.5 million on co-locating Marlborough Boys' and Girls' Colleges to a single site near the local tertiary institution, to establish collaboration and extended educational opportunities that support improved learning outcomes. The Project was at the time subject to identifying and acquiring a suitable site on which the schools could be co-located. Discussions continued with the preferred site owner, who withdrew from the negotiations in January 2018.
10. In 2018, Cabinet approved the Ministry to proceed with co-location of the Marlborough Colleges on the current site of Marlborough Girls' College and Bohally Intermediate

School, and relocation of Bohally intermediate to the site of Marlborough Boys' College if suitable greenfield site(s) could not be identified. Cabinet approved a final budget delegation of \$170 million funded from Ministry's baselines for this scope. At this time, Cabinet delegated final approval within this envelope to Joint Ministers of Finance and Education for approval [GOV-18-MIN-0061 refers].

11. In 2020, an independent business case updated the estimated cost to \$250 million. The increased costs were driven by more accurate project costing, the need to co-locate on a brownfield site, and to account for uncertainties around staging and decanting.
12. In view of the increased cost estimates, the Project Governance Board sought a scope review in November 2022 and sought engagement with the Minister on the way forward. This engagement resulted in significant scope reductions; the removal of the Marlborough Technology Centre from the Project and a capacity reduction of 400 less students (20 less teaching spaces) across the Colleges. These changes were in line with updated Network projections for forecast peak school rolls. This resulted in estimated savings of approximately \$50 million. The most current cost estimate is now circa \$380 million.
13. The current cost estimates have been undertaken with greater design detail, and better understanding of material supply, labour requirements, engineering issues, groundwork, and decanting. The design has resulted in no temporary classrooms being required for the projects construction period.

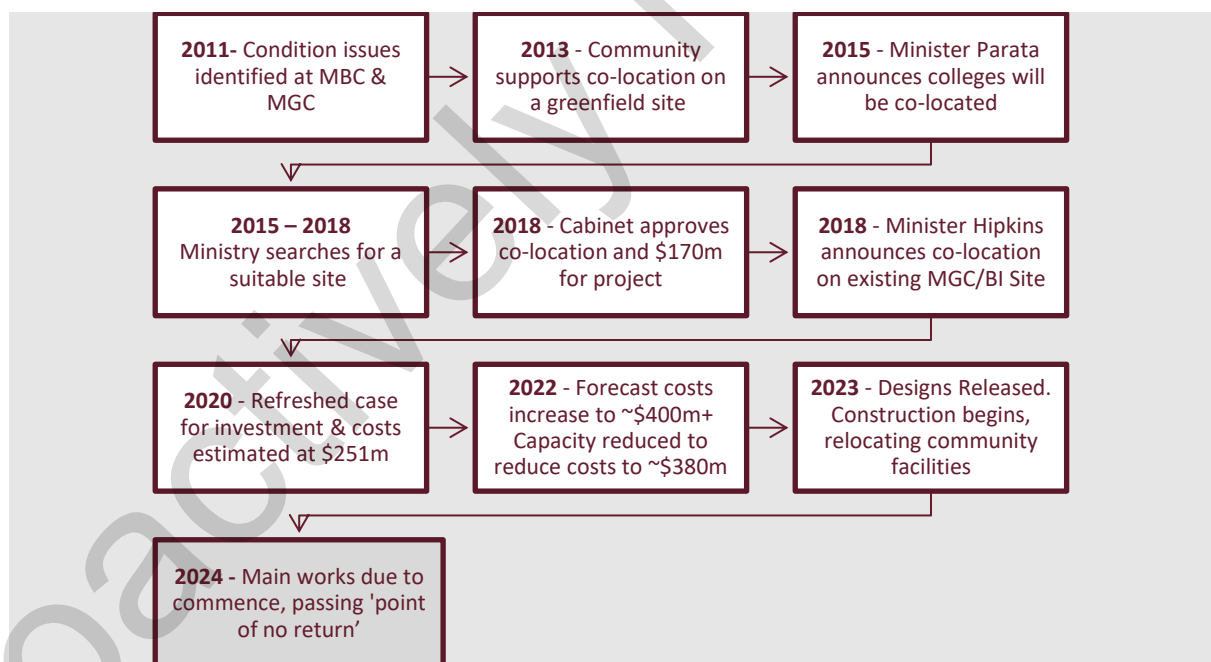


Figure 1 (above): The Marlborough Co-location Project's timeline

14. In February 2021, the Ministry appointed a design build contractor (Naylor Love) and commenced design.
15. In 2023, project delivery commenced. The Project Masterplan and the preliminary designs were released publicly. These were well received by the community. In June 2023, negotiations with the Marlborough District Council to relocate the region's Hockey Facility from the Marlborough Boys' College to the Marlborough Girls' College concluded and construction commenced.

16. In 2024, once construction of the Hockey Turf is complete in February, demolition of the old turf will be able to commence, and thereafter construction of the new Bohally Intermediate School. Later in the year, the first buildings on the colleges site are due to commence construction.

**Current context - Project delivery has begun:**

17. The Project is fast moving from the planning stages to delivery. A Design and Build Contractor has been appointed since February 2021. Design progress is now well advanced, with concept designs publicly released and detailed design to enable building consents ongoing. In early 2024, the project is ready to commence construction.
18. Significant investment (approx. \$22.6 million) on the project has occurred to date. In addition to this capital spend, approximately \$3 million of additional resourcing has been provided by the Ministry to the schools since 2016, to support the operational change required for this transformational project.
19. It is forecast that total expenditure on the current pathway will increase from \$22.7 million to \$32.8 million June 2024, for which capital funding is approved and available. \$2 million of this forecast expenditure is related to commencing construction works at the intermediate site (which will now be deferred).

20. 9(2)(f)(iv)

**Community and Schools' Expectations are high:**

21. Community expectations and awareness of the Project are high. Over the past 10 years, the Ministry has deferred all major works/upgrades of the Colleges' facilities in anticipation of the Project, while the Colleges and community are expecting and preparing for delivery of the Project.
22. There has been consistent media coverage on the project since 2015, and the project has a public website. Over the past 18 months, there has been coverage of the design progress, cultural narrative launch, site blessing ceremony, and construction progress onsite. This coverage and required community consultation have made the Project highly anticipated in the community.
23. Five residential properties have been acquired via the Public Works Act, a highly visible community project hub and site office has been constructed on the site and the first stage of construction on site, a new \$4.5 million Hockey facility, is near completion.
24. Both boards of trustees at the colleges are supportive of becoming a combined board to support a successful co-location and have initiated a public consultation process which will enable to combine the school boards (if approved by the Minister). The Colleges have completed an extensive HR staff consultation and organisational restructure to allow for a shared services delivery model and have started employing shared staff in anticipation/preparation for co-location.