



Title:	Report of the Ministerial Inquiry into School Property		
Report No:	2024-0210		
Date:	22 July 2024	Security Level:	IN CONFIDENCE
Minister and Portfolio:	Hon Erica Stanford, Minister of Education		
Cc:	Hon Nicola Willis, Minister for the Public Service		

Purpose

This note provides an update following the Public Service Commission (the Commission)'s meeting with you regarding the Ministerial Inquiry into School Property (the Inquiry). We have attached an outline of a proposed process to prepare your Cabinet report back. We have also included notes that you could use to inform your update to the Infrastructure and Investment Ministers Group due on Tuesday 23 July.

Key issues

At our meeting with you, you expressed that your objectives for school property are to improve the quality of asset management, transparency of decision making on development projects and customer service for schools. You also highlighted the need to improve the use of data, and clarify the interface between property choices, network decision-making and school performance.

We also discussed a number of matters to consider when making decisions on the structural proposals included in the review report to achieve these objectives, these include:

- How to provide certainty and direction in order to retain good staff
- The pace and disruption of change, especially considering the wider context and priorities for the Ministry of Education
- Costs of different organisational options, and of building the necessary capability to deliver better outcomes
- Delineating functions related to property, and making choices related to separating relevant functions from a range of other activity within the Ministry
- Statutory decision-making approaches, including supporting politically neutral decision making over specific projects

If considering structural options outside of the Crown, there are also questions relating to debt management and land ownership (including Treaty of Waitangi considerations).

Our advice

Providing you with advice to support a September Cabinet paper

The Commission has undertaken to coordinate your initial response to the Inquiry. We will work with other agencies to develop a paper to take to Cabinet in September to meet your Q3 milestone. This would include a proposed response to the Inquiry, initial decisions on machinery options or other steps which could be taken within current system settings, and next steps (including governance and leadership arrangements). An indicative process timeline is attached to this report (**Appendix A**).

We will need to work with the Ministry of Education and the Treasury on aspects of the response to the Inquiry. To this end, we have spoken with both agencies, and we are in the process of establishing a virtual project team which will provide you with advice to inform the report back.

This advice will cover the main matters you will need to consider in framing your response to the Inquiry. This will include machinery of government options, in the short and medium terms, the relationship of property decisions to network decisions, funding and financing, as well as immediate actions that could be taken. Our advice will be copied to the Minister for the Public Service, who has responsibility for how arrangements will affect the overall shape and size of the public sector.

As part of the response to the review, we will also work with the Ministry of Education to provide further context, including all information on current performance, which we understand to be a significant piece of work across hundreds of projects, as well as activity already underway since the Inquiry gathered its evidence.

Advice on timing of implementation

The Commission will provide you with advice on institutional options, and the benefits and disadvantages of each.

We will provide more detailed options analysis and sequencing as part of this advice. However, you might find it helpful to note that a Departmental Agency requires Orders in Council, changes to relevant appropriations, the recruitment of a chief executive officer, and a change management process for staff movement. Compared to other options, this is straightforward and could be achieved by February 2025, supporting momentum on other work in progress.

The establishment of a Crown Entity would require detailed clarification of functions, arrangements for land ownership and management, as well as other financial arrangements prior to undertaking the legislative process needed to establish the entity. For these reasons, it would take much longer to establish a Crown Entity, potentially beyond the current term of government. As discussed with you, we will consider options for transitional arrangements which could act as a precursor to this kind of change.

Speaking notes for the Infrastructure and Investment Minister's Group

You are due to attend the Infrastructure and Investment Minister's Group meeting on Tuesday 23 July. We have attached some speaking points for you to use at this meeting (**Appendix B**).

You should note that the Infrastructure and Investment Ministers Group may also discuss a Cabinet paper on establishing a strategic framework for regional deals, which has been lodged by the Minister of Local Government.

The strategic framework states that, "to support regional deals, central government's contributions could involve a clear commitment to support agreed projects across agency investment pipelines and coordination of capital commitments to funding", including schools.

This may cut across the decision rights of any entity making capital investment decisions for schools. Each regional deal will vary as they will cater for local priorities, but the decision rights of those making the deals would have to be clear from the outset.

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Appendix A: Indicative Timeline

Task	Timeframe	Lead
<p>Establish virtual team (PSC, Treasury and Education) to advise on government response to the Inquiry report. Identify specific areas of advice to be covered in Cabinet paper eg</p> <ul style="list-style-type: none"> - Analysis of current state/performance - Response to immediate actions recommended in report, including work already underway - Machinery of Government options - Statutory powers and financial delegations - Functional analysis including interface with network functions 	w/b 22 July	Public Service Commission
Initial heads up on Review report to Infrastructure and Investment Ministers meeting	23 July	Minister
Advice provided to Minister's office on relevant policy decisions as agreed in above step (tbc with project team)	w/b 29 July	Public Service Commission, Ministry of Education, the Treasury
Draft Cabinet paper provided to Minister to seek decisions on plan of work to respond to the review in short and medium term, including proposals for organisational arrangements.	5 August	Public Service Commission
Send draft paper for agency consultation	12 August	Public Service Commission
Incorporate agency feedback into the paper	19 August	Public Service Commission
Send draft paper for Ministerial consultation	26 August	Minister Stanford's Office
Incorporate Ministerial feedback into the paper	9-11 September	Public Service Commission
Lodge paper for EXP committee	12 September	Minister Stanford's Office
Consider paper at EXP committee meeting	17 September	Committee
Consider paper at Cabinet meeting	23 September	Cabinet

Appendix B: Talking points for the Infrastructure and Investment Ministers Group, 23 July: Report of the Ministerial Inquiry into School Property

The Report's recommendations and your aspirations

- I have received the Report of the Ministerial Inquiry into School Property. It recommends removing the property and network functions of the Ministry of Education and placing them into an arm's length entity.
- The Inquiry's recommendations are intended to increase the focus on value of money in the delivery of projects and increase confidence in the prioritisation and funding decisions.
- I agree that this is important. I want the delivery of school property to be more customer friendly, moving away from the sometimes opaque decision-making, and long time-frames for delivery, we too often see now.
- There is much to address; for example, I am aware that responsibility for school property is currently complicated by the role that School Boards take, with varying degrees of capability.
- I want to see better data, and information, and to ensure that this informs a robust approach to asset management.
- The Ministry of Education has a large programme of work that I want delivered swiftly and as efficiently as possible.
- I'm also aware that there are good people working on this in the Ministry of Education and that we do not want to lose this capability; providing certainty to these people is important too.
- Overall, it is important that any steps we take to improve the delivery of school property supports this Government's aspirations for the education system as a whole.
- It is vital that we deliver better outcomes, upgrade assets and support high performing schools; where schools have the capability to manage their own builds they should be entrusted to do so.
- The Inquiry indicates that changes could be implemented by July 2025, but I will also need to consider the fit and sequencing of these proposal with other reforms, priorities and targets in my portfolio, specifically:
 - the introduction of charter schools, the review of higher education, the future of Te Pūkenga and the review of the early childhood education system;
 - the delivery of two of the Prime Minister's nine targets.
- The Inquiry also recommends changes or actions that can be taken that do not involve changes to entity form such as reporting requirements; I will also consider how these other changes or actions can contribute to the Government's overall response to the Inquiry.
- I also know that some progress has already been made since the Review began; I want to ensure that we build on that progress, maintain that momentum and deliver a property and network functions that are fit for purpose.
- I will keep in mind the Minister of Finance's expectations on investment management, and I note that these support the overall direction of travel.

Process for making decisions

- There are a number of questions to settle before I bring any proposals to Cabinet.
- Delivering effective school property functions in line with these aspirations will require advice from a number of agencies.
- For example, I need to consider the way that network decisions and decisions about school property should best be dealt with, and by whom, so that building occurs where it is most needed; this will require advice from the Ministry of Education.
- And there are also financial, legal and Treaty issues to be consider regarding the holding of significant assets, and this will require input from the Treasury.

- I will also seek advice on the extent to which different functions should be held at arm's length from Ministers or whether they should remain close to Ministers from the Public Service Commission.
- The Public Service Commission has agreed to coordinate this work alongside the Ministry of Education and Treasury to present me with this advice, and identify other matters I need to consider.
- I expect to receive advice over the next few weeks on the benefits, and disadvantages, of different models, including the possibility of establishing a dedicated Departmental Agency.
- I have asked officials to indicate the potential cost and disruption of each option, including any debt, funding, and financing considerations. Transitional arrangements will also be explored.

Taking a paper to Cabinet in September

- Because it is important to me to provide certainty, I plan to take a paper to Cabinet seeking initial decisions, and indicating a way forward, at the end of September.
- I will consult with members of this Infrastructure and Investment Ministers Group on how my proposals fit with the wider set of proposals for infrastructure delivery.
- I will consult with relevant Ministers on any proposals related to their portfolio.