

# The Treasury

## Budget 2015 Information Release

### Release Document July 2015

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
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- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [14] Not in scope

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Reference: T2015/120

SH-4-5-4

Date: 05 February 2015

To: Minister of Finance (Hon Bill English) Minister of Education (Hon Hekia Parata) Associate Minister of Education (Hon Nikki Kaye)

Deadline: None  
(if any)

## **Aide Memoire: School Property Programme Business Case FY 2015/16**

### **Purpose**

1. This paper presents the School Property programme business case (PBC) [14]
2. Funding decisions related to the PBC will be considered as part of the Budget 2015 process. [8]

### **Comment**

3. The Treasury supports the PBC in principle, but has reservations due to the amount of capital and operating investment sought in this Budget.
4. We have asked the Ministry to include an alternative Treasury recommendation in the paper directing the Ministry to put forward options as part of Budget 15 for funding its requirements, which allow for different cost, timing, and procurement scenarios. If the Ministry is unable to include this in the paper we recommend that you table the alternative recommendation. Our reasons are set out below:

### **Forecasting Uncertainties:**

- The uncertainty in medium to long term forecasts leads to concern when supporting such a large amount within one Budget. We note that Auckland has strong growth projections and the Government has a willingness to get ahead of the demand curve, however we believe that there is a risk that this growth may manifest in different sub-regions, as experienced with Rolleston within the CSR. In our view it would be prudent to take a progressive approach to funding this initiative, commensurate with the levels of certainty.

### **Ministry Capacity:**

- There is a risk that within the context of the increasing pace and scale of major redevelopments out to FY 2017/18 across New Zealand and work in Christchurch, the Ministry may have capacity limitations in delivering this programme of work. The Ministry received capital injections of \$172.251 million in Budget 2013 and \$172.463 million in Budget 2014 [8]

### **Market Capacity:**

- Given the high demand in Auckland and Christchurch for competing resources, there is also a risk that there may be a lack of market capacity to deliver the proposed PBC.

### **Auckland Schools Bundle**

5. The Auckland schools component of the package may require a significant commitment from Budget 2015. In August 2014, Cabinet:

- agreed in principle that school property expansion in Auckland should be managed as a programme of four year tranches.
- noted that Tranche One for Auckland would include eight new primary schools, one new secondary school and around 130 roll growth classrooms, with an expected cost of up to \$353 million capital and equipment, and \$45.254 million operating over five years [Cab Min (14) 27/20 refers].

6. [9]

### **Christchurch Schools Rebuild**

7. [14]

8. [9][14]

## Potential Savings

9. [8]

10. In future years, we will also be seeking greater evidence that the Ministry is considering non-property mitigations for meeting forecast demand. The Treasury is aiming to provide you with advice shortly on demand management challenges across infrastructure sectors including education, and recommendations for how to tackle them.

## Future Programme Business Cases

11. The Ministry's School Property PBC is the second version of the annual-update programme approach to considering new property investment decisions and reflects the capital planning process you endorsed in 2013 [T2013/2993 refers]. It signals an investment by the Ministry to increase its capability as a credible asset manager and capital planning through the application of Better Business Case guidelines. The Treasury will continue to work with the Ministry on future versions of the annual PBC.

## Treasury Recommendation

12. We recommend that you support the recommendations in this paper, with the exception of recommendation 10.
13. As an alternative to recommendation 10 we recommend that you support, or agree to table if it has not been included in the paper submitted to Cabinet, the following alternative recommendation:

*“Direct the Ministry of Education to put forward options as part of Budget 15 for funding the requirements outlined in recommendation 8, which allow for different cost, timing, and procurement scenarios”.*

[9]

**Grace Campbell-Macdonald**, Manager, Education & Skills, 04 917 6958