

The Treasury

Budget 2017 Information Release

Release Document July 2017

www.treasury.govt.nz/publications/informationreleases/budget/2017

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
[23]	to protect the privacy of natural persons, including deceased people	9(2)(a)
[25]	to protect the commercial position of the person who supplied the information or who is the subject of the information	9(2)(b)(ii)
[26]	to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied	9(2)(ba)(i)
[27]	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - would be likely otherwise to damage the public interest	9(2)(ba)(ii)
[29]	to avoid prejudice to the substantial economic interests of New Zealand	9(2)(d)
[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Reference: T2017/245 SH-4

Date: 14 February 2017

To: Minister of Finance (Hon Steven Joyce)
Associate Minister of Finance (Hon Amy Adams)

cc: Associate Minister of Finance (Hon Simon Bridges)

Deadline: 3.30pm, 15 February 2017
(if any)

Aide Memoire: Ministerial meeting on Vote Education - 15 February 2017

You are meeting with Hon Parata and Hon Kaye on Wednesday 15 February at 3.30pm. This aide memoire and its attachments provide you with information on Vote Education to support you in that discussion, including our response to some additional points you raised at our meeting on Friday 10 February.

There is currently a further meeting with the Minister of Education on Budget initiatives on Wednesday 8 March.

Points to raise

You may wish to raise the following points:

- **Managing cost pressures.** Substantial cost pressures are evident across the system, including in departmental capacity, as the Ministry aims to deliver an ambitious reform programme in the context of demand growth from demographic and behavioural change. While the Ministry has been improving its forecasting, you may wish to ask the Minister of Education what options or policy choices she is considering to manage cost pressures.

The Minister may raise the issue of the treatment of Education's forecast changes. Our judgement is that there are transparency benefits in counting these against the operating allowance at Budget alongside new initiatives.

- **Delivering the education reform programme.** A key challenge for the Ministry is to take forward the Minister's reform agenda in a way that ensures it delivers the significant improvement in achievement that the Government is seeking,

especially for disadvantaged learners. This will require the Ministry to change how it operates to be a more effective steward of the system. [33]

[33]

- **Budget initiatives.** The Minister of Education submitted [33]

initiatives for inclusion in Budget 2017 (a full list of the initiatives is attached for your information). Our strategy is to give support to initiatives targeting key services where there are risks to service delivery or outcomes. In particular, there are a number of initiatives which are aimed at departmental capacity both in national office and in the regions. It is our view that these initiatives need to be justified in the context of the future operating model. Therefore, our proposal is to provide two years of funding for departmental capacity to maintain the system, while the Ministry develops its thinking about its future operating model.

- [34]

Budget 2017 Initiatives

[34]

The Ministry is currently undertaking a large and complex reform programme that aims to deliver significant improvements in achievement, especially for disadvantaged learners. The reform programme is taking a systemic approach to change across a number of levers, including a new Education Act, the Funding Review and the continued implementation of Communities of Learning | Kāhui Ako (COL). The initiatives that we support in Budget 2017 are consistent with this reform direction.

Within this package there are a couple of areas of choice for further scaling to fit within the allowances and the Government's broader fiscal objectives. These include:

- Targeted adjustment to early childhood funding [33]

- Targeted adjustment to schools' operations grant funding [33]

Other issues of interest

At our meeting on Friday 10 February, you raised a number of additional matters on which we have provided further information below.

[40]

Learning support (special education)

Ministry spending on the Special Needs Support appropriation has increased by 23% since 2011/12 (to \$397.3 million in 2015/16). Total Ministry spending on additional support is estimated to be \$590m; one third of this is directly controlled by the Ministry and the remainder is mostly administered by schools and contracted providers.

There have been significant demand pressures in recent Budgets, with \$40m funded in Budget 2015 and \$27m funded in Budget 2016 (largely driven by Ongoing Resourcing Service for students with the highest level of need). In Budget 2017, \$2.89m of demand pressures are sought, as well as two Track 1 initiatives [33] and are aimed at those with learning support needs. The Ministry has indicated that steady increases in demand are expected to continue; which it attributes to increased and earlier identification of needs, and more students in education.

A Learning Support Update is underway focused on service redesign, to improve continuity and responsiveness, and spending effectiveness.

[40]

Attached: Vote Education: Context for Budget 2017 (slidepack)
Vote Education Budget 2017 initiatives

[34] Analyst, Education & Skills, [39]
Diana Cook, Acting Team Leader, Education and Skills, [39]

New initiatives - Track 2

Type	Title	Description	Operating Sought (\$ Millions)						Operating Supported (\$ Millions)						Treasury Comment	
			2016/17	2017/18	2018/19	2019/20	2020/21	4 Yr Total	2016/17	2017/18	2018/19	2019/20	2020/21	4 Yr Total		
[33]																
New initiative	Completing the additional in class support manifesto commitment	The initiative provides five hours per week of teacher aide in-class support for students in years 1-13, who have ongoing high learning needs and require additional support to achieve at school.	0	2.188	4.443	4.443	4.443	15.517	0	0	0	0	0	0	0	Defer. 3/1. Defer until more known about impact of current spend (agreed Budgets 15 & 16), as effectiveness very dependent on effective deployment.
[33]																
New initiative	Continuation and expansion of Teach First NZ	This initiative seeks ongoing funding for Teach First NZ to deliver their initial teacher education (ITE) programme to 60 teacher trainees per year	[33]						0	0	0	0	0	0	0	Defer. 4/2. Good evidence for programme, but delivery risk in 2018 with no provider secured.
New initiative	Earthquake response and recovery (November 2016)	The initiative supports the Recovery Programme for all schools impacted by the November 2016 earthquake and floods, by providing Boards of Trustees, principals, teachers and support staff with information and appropriate support on employment options during the implementation of a recovery programme.	0	0.57	0.24	0	0	0.81								Likely Support - assessment to be finalised.
[33]																
New initiative	Integrated Schools' property funding	The initiative addresses the property related impact of past policy changes [33]	[33]													Partial support. 1/2. [33]

[33]

New initiative	Curriculum resource support for Maori-medium education	This initiative seeks funding to address the gap in the curriculum resources available for priority subjects in Maori Medium Education settings (including bilingual pathways in English Medium settings) compared to the resources available for mainstream state schools	[33]												Support 4/2. Baseline resource reprioritised. Risk of not fulfilling stewardship duty to support Māori language in education pathways.
----------------	---	--	------	--	--	--	--	--	--	--	--	--	--	--	--

[33]

New initiative	Targeted adjustment to schools' operations grant funding	This initiative provides additional operational grant funding for state and state-integrated schools from the beginning of the 2018 school year, allocated as a [33] adjustment to all components (with the exception of relief teaching) and a 4 percent adjustment to the social investment component of the grant established in Budget 2016 .	[33]					0	8.587	17.278	17.301	17.341	60.507	Partial support and Scale. 3/3. Good case for universal increase in line with (not above) CPI; targeted component strategically aligned.
----------------	---	---	------	--	--	--	--	---	-------	--------	--------	--------	---------------	--

New initiative	Targeted adjustment to early childhood funding	This initiative will help providers with disadvantaged children maintain, and in some cases improve, the service quality and affordability of ECE in the face of rising costs and static subsidy rates. This will be achieved by targeting additional funding to services with children considered most at risk of poor educational achievement.	[33]											Support in full. 4/3. Good evidence for targeting. Risk of declining quality of service provision if an adjustment is not made in 2017/18.
----------------	---	--	------	--	--	--	--	--	--	--	--	--	--	--

[33]

New initiative	[33]	This initiative [33] enhance the capability of infrastructure investment function. [33] and improve the investment decision-making [33]	[33]											Partial support 3/1. [33] scaled strategic investment function [33]
----------------	------	---	------	--	--	--	--	--	--	--	--	--	--	---

New initiative	New Zealand participation in the OECD early learning study	This would fund New Zealand's participation in the OECD's international comparative survey of early learning policies and practices. The study is designed to help us understand the influence of early learning services on children's learning and developmental outcomes.	0	0.843	1.06	0.635	0.111	2.649	0	0.843	1.06	0.635	0.111	2.649	Support in full. 4/3. Strategically important study that fills critical information gap about outcomes from ECE, and enables social investment.
[33]															
New initiative	Schools' payroll sustainability investment	Funding is being sought to manage critical technology risks, to increase the efficiency of the system and help meet compliance costs associated with the school payroll system.	[33]												Partial support 3/3. [33]
New initiative	School Property Programme Business Case (operating)	This initiative delivers roll growth classrooms, special education satellite units, school expansions, new schools, new property for existing kura, [33] and an existing special education school, [33] and land reimbursements in response to population growth and demographic changes across the schooling network.	[33]												Partial support. 2/1. Scale capital charge and depreciation as per capital, [33]
Total New Initiatives - operating			[33]												
Total operating impact - Track 2			[33]												

Capital - Track 2

Type	Title	Description	Capital Sought (\$ Millions)					Capital Supported (\$ Millions)					Treasury Comment		
			2016/17	2017/18	2018/19	2019/20	2020/21	4 Yr Total	2016/17	2017/18	2018/19	2019/20		2020/21	4 Yr Total
Capital - new initiative	School Property Programme Business Case	This initiative delivers roll growth classrooms, special education satellite units, school expansions, new schools, new property for existing kura, [33] and an existing special education school, [33] and land reimbursements in response to population growth and demographic changes across the schooling network.	[33]												Partial support. 2/1. Scale roll growth and special education, and defer some new schools and kura to reflect slower expansion of capital programme.
Total capital - Track 2			[33]												

Track 1 - Operating

Operating Sought (\$ Millions)	Operating Supported (\$ Millions)
---------------------------------------	--

Type	Title	Description	2016/17	2017/18	2018/19	2019/20	2020/21	4 Yr Total	2016/17	2017/18	2018/19	2019/20	2020/21	4 Yr Total	Treasury Comment
New initiative - Track 1	Early Identification and Removal of Communication Barriers to the Curriculum	This funding will enhance system capability in early childhood education centres. It will provide targeted and specialist support to three and four year olds with oral language needs, who are at risk for literacy difficulties, by trialling a new approach to oral language development.	0	1.132	1.685	1.685	1.518	6.02	0	1.132	1.685	1.685	1.518	6.02	Likely support
New initiative - Track 1	Expanding and targeting behaviour services	This funding will provide earlier, effective behaviour services to children with behaviour difficulties to improve their self control and return them to the pro-social pathway. This will improve their education and life outcomes, with education, justice, health and welfare savings. The two target cohorts are an additional 4,000 children age 0-8 per year [33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	Likely scale
New initiative - Track 1	Incredible Years – expanding programmes to meet specific needs	This funding will allow for Incredible Years programmes to be delivered [33] to parents and teachers of children on the Autism Spectrum.	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	[33]	Likely support

[33]

[33]

Total Track 1 Initiatives - operating

[33]

Track 1 - Capital

Type	Title	Description	Capital Sought (\$ Millions)					Capital Supported (\$ Millions)					Treasury Comment
			2016/17	2017/18	2018/19	2019/20	2020/21	4 Yr Total	2016/17	2017/18	2018/19	2019/20	

