

The Treasury

Budget 2017 Information Release

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[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)
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[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	

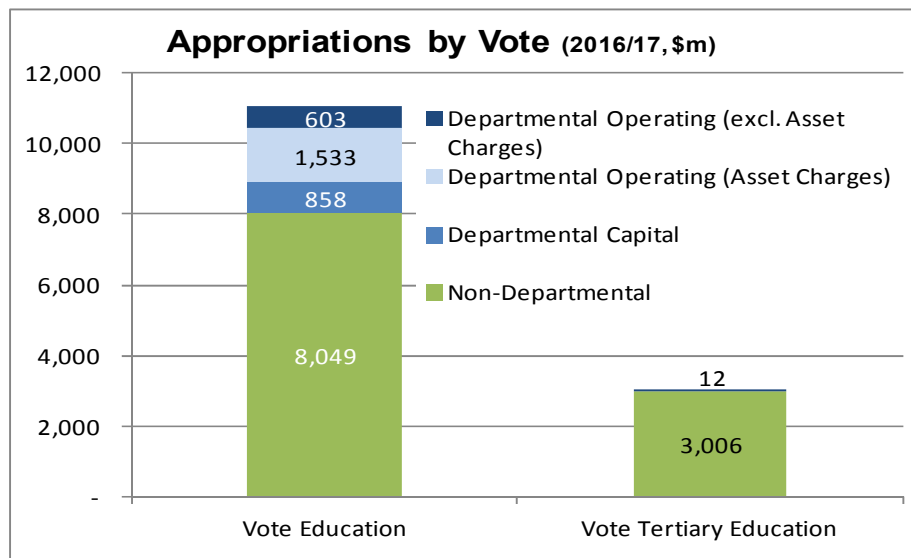
In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Vote Education baselines and Budget 2017 package

In 2016/17, total funding of education through these two Votes is budgeted to be \$14.0 billion (BEFU 2016):

- \$11.0 billion for Vote Education (including ECE and schooling)
- \$3.0 billion for Vote Tertiary Education (not including Student Support)

Of the \$14.0 billion, 79% of this funding (\$11.1 billion) is non-departmental and is allocated directly to the education sector for the delivery of education and tertiary education services.



You asked for a breakdown of how the Budget 2017 package splits across early childhood education (ECE), compulsory schooling (primary and secondary schooling) and the tertiary education sector. The per-sector breakdown of additional spending is based on non-departmental spending only, in order to provide a clear picture of funding going directly to each sector. An outline of additional proposed departmental spending is included at the bottom.

Note that it is difficult to paint a clear picture of baselines within the early childhood and compulsory sector due to the design of the appropriation structure. For example, non-departmental funding for special needs support and professional learning and development (PLD) will straddle both the early childhood and compulsory sectors. For the purposes of this advice, we have used only the main appropriations for each sector, which capture the majority of spend, but marginally underestimate total sector funding

The baseline figures for the compulsory schooling sector below do not include spending on the school property portfolio. Capital expenditure on school property is expected to be approximately [33] in 2016/17. The Budget 2017 Schools Growth Package proposes a capital injection of [33] for new schools and roll growth classrooms, spread over four years.

Budget 2017 package: distribution across education sector

The table below outlines how the current Budget 2017 package is proposed to be distributed across each part of the education system, and how this will impact on baselines.

Sector	2016/17 baseline	Budget 2017 package*	% baseline change
ECE	\$1.8 billion	[33]	
Compulsory schooling	\$5.1 billion		
Tertiary	\$3.0 billion		
Departmental funding	\$2.9 billion		
Total	\$12.8 billion**		

* Annual average spend over Budget period

** Excludes \$1.2 billion non-departmental Vote Education appropriations that span both ECE and compulsory schooling

Sector proportion of baselines compared to sector funding at Budget 2017

Sector	% of total baseline*	% of Budget 2017 package*
ECE	14.1%	[33]
Compulsory schooling	39.8%	
Tertiary	23.4%	
Departmental funding	22.7%	
Total	100%	

* \$12.8 billion total, as per notes above.

Cost drivers by sector for Budget 2017 (excludes departmental initiatives)

	ECE	Compulsory	Tertiary	Total in \$	As a%
Volume-based	[33]				
Price-based					
New policy					
Total					

[33]

Budget 2017 package: cost drivers by sector.

This section looks at the cost drivers within each sector to provide a clearer picture of what the Budget 2017 package is purchasing.

Early Childhood Education

Current baseline	\$1.8 billion
Funding Budget 2017 package (annual average)	[33]
% increase to non-departmental baseline	

[33]

[33] of Budget 2017 funding (\$106.2 million) for the early childhood education sector stems from the forecast costs of current policy settings, which are reflected in forecast changes at the March and October Baseline Updates. There are two drivers behind this:

- *Volume:* Costs associated with increased ECE consumption, either through additional children in the system or a higher number of subsidised hours consumed.

Volume-based Budget 2017 ECE funding	Annual average
March Baseline Update	\$96.2 million
October Baseline Update	(\$3.1 million)
Total	\$93.1 million

- *Price:* Costs associated with greater consumption of more expensive forms of ECE (eg. more children using centre-based care) and increased entitlement to equity funding.

Price-based Budget 2017 ECE funding	Annual average
March Baseline Update	(\$6.7 million)
October Baseline Update	\$19.8 million
Total	\$13.1 million

The remaining \$1.5m will fund one new policy initiative at Budget 2017 will go to the *early identification and removal of oral language barriers initiative*.

New initiatives	Annual average
Early Identification and Removal of Oral Language Barriers Initiative	\$1.5 million

Total:

ECE funding in Budget 2017	% of ECE Budget 2017 funding	Total funding (annual average)
Volume-based funding	86.4%	\$93.1 million
Price-based funding	12.1%	\$13.1 million
New policy	1.4%	\$1.5 million
Total	100%	\$107.7 million

Compulsory sector (primary and secondary schooling)

Current baseline	\$5.1 billion
Funding Budget 2017 package (annual average)	[33]
% increase to non-departmental baseline	

[33]

[33] of Budget 2017 funding [33] for the compulsory education sector stems from volume and price growth, reflected through the March and October Forecast Updates. There are two drivers behind this:

- *Volume:* The majority of volume-based costs in the Budget 2017 package are forecast changes, and reflect the number of learners within the compulsory sector. However, some volume growth is included here for cost pressures identified through the Budget 2017 process. This includes additional funding for English for Speakers of Other Languages (ESOL) and supporting at-risk schools.

Volume-based Budget 2017 compulsory schooling funding	Annual average
English for Speakers of Other Languages (ESOL)	[33]
Responding to Learning Support Cost Pressures	
Supporting Schools At Risk – Additional Funding	
March Baseline Update	\$43.8 million
October Baseline Update	\$113.7 million)
Total	\$160.8 million

- *Price:* The March and October Baseline Updates saw a reduction in price-based cost, mainly as a result of more accurate data about average pay rates coming from the Education Payroll system, rather than any actual change in workforce composition. The price line includes the planned cost adjustment to Operations Grant funding for schools.

Price--based Budget 2017 compulsory schooling funding	Annual average
Operations Grant Funding Increase for Schools	\$15.1 million
[38]	
Kura Kaupapa Maori Management Support	\$0.4 million
School Payroll – Holidays Act Project	[38]
March Baseline Update	(\$10.0 million)
October Baseline Update	(\$40.6 million)
Total	[38]

The remaining Budget 2017 funding covers new policy initiatives:

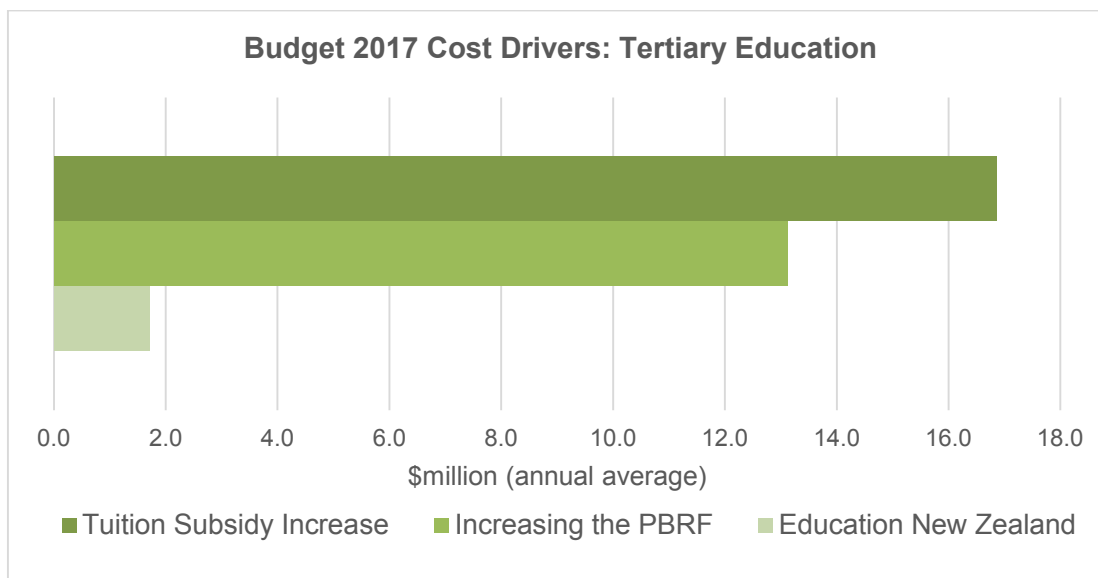
New initiatives	Annual average
Incredible Years (Track 1)	\$1.0 million
In-class support for students with high learning needs	\$3.9 million
Maori language education curriculum resources	\$1.9 million
Integrated school property funding	\$5.0 million
November 2016 earthquake costs	[38]
Total	

Total:

Compulsory schooling funding in Budget 2017	% of schooling Budget 2017 funding	Total funding (annual average)
Volume-based funding	[38]	
Price-based funding		
New policy		
Total		

Tertiary education

Current baseline	\$3.0 billion
Funding Budget 2017 package (annual average)	\$32.2 million
% increase to non-departmental baseline	1.1% increase



There are three initiatives within the current Budget 2017 package. All three initiatives have been classified as price-based funding, though there are difficulties in making comparisons to Vote Education given the discretionary nature of spending.

New initiatives	Annual average
Tuition Subsidy Increase	\$17.3 million
Increasing the Performance-Based Research Fund	\$13.1 million
Education New Zealand (ENZ): Strengthening Foundations for Sustainable Growth of International Education	\$1.7 million
Total	\$32.2 million

- *Tuition Subsidy Increase*: A price-based increase (which reflects feedback from the sector around cost-growth in tertiary education provision) to support tertiary providers to maintain the quality of provision
- *Increasing the PBRF*: A price-based increase (to reflect sector feedback of the cost-growth of undertaking research) to increase research from tertiary providers
- *Education New Zealand*: Cost pressure has arisen because previous ENZ funding was time-limited. Funding will allow ENZ to continue to deliver its core marketing activities on New Zealand as a quality education destination.

Departmental spending:

Current baseline	[33]
Funding Budget 2017 package (annual average)	
% increase to non-departmental baseline	

The current Budget 2017 package includes [33] on average per year for departmental funding. This funding will support the Ministry in their role as steward of the education system. Whilst the majority of this funding supports ICT and property-related delivery, it does include some additional frontline staffing (e.g. new educational psychologists through the *Expanding and Targeting Behaviour Services* initiative). Because of the nature of departmental funding, we have not separated out volume and price cost drivers.

Departmental spending initiatives	Annual average
Supporting Infrastructure Service Delivery	\$4.0 million
Strengthening Frontline Service Delivery to Support Student Achievement	\$2.5 million
Departmental Capacity – Investing in Information and Communications Technology [33]	[33]
[33]	
School Property Growth Package (capital-related opex)	[33]
Expanding and Targeting Behaviour Services	\$8.7 million
Total	[33]

All departmental funding within the current Budget 2017 package relates to Vote Education.