

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

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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)
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[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
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[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.

## 2017 Budget Package: Vote Education (Technical Initiatives)

- 1 **approve** the Budget initiatives for the above Vote for inclusion in the 2017 Budget package, as listed in the summary below and detailed in the attached initiative documents;

### Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)		\$m - increase/(decrease)				
Initiative ID	Initiative Name	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
9994	Amendment to March 2017 Teachers' Salaries Forecast for 2016/17	36.945	-	-	-	-
9980	Changes to Learning Support Category	-	-	-	-	-
9970	Public Private Partnership Revision - Hobsonville Point	1.006	1.167	1.251	1.331	1.442
<b>Total Operating</b>		<b>37.951</b>	<b>1.167</b>	<b>1.251</b>	<b>1.331</b>	<b>1.442</b>

Capital Initiatives (Impact on Debt)		\$m - increase/(decrease)				
Initiative ID	Initiative Name	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
10027	Christchurch Integrated Government Accommodation Programme Funding Shortfall	1.240	-	-	-	-
9970	Public Private Partnership Revision - Hobsonville Point	(1.006)	(1.167)	(1.251)	(1.331)	(1.442)
<b>Total Capital</b>		<b>0.234</b>	<b>(1.167)</b>	<b>(1.251)</b>	<b>(1.331)</b>	<b>(1.442)</b>

- 2 **approve** changes to appropriations and the capital injections to the administering department to implement the initiatives, as set out in the attached initiative documents;
- 3 **approve** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 4 **agree** that the proposed changes to appropriations and capital injections for 2016/17 above be included in the 2016/17 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 5 **authorise** the Minister of Finance and the Appropriation Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2016/17 Supplementary Estimates, the 2017/18 Estimates and the fiscal forecasts;

- 6 **note** that all communications relating to the 2017 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;

**Vote:** Education

**Title:** Amendment to March 2017 Teachers' Salaries Forecast for 2016/17

**Description:** The March Baseline Update forecast for teachers' salaries was understated in error. An increase to the salaries baseline of \$37 million (0.66%) is required in 2016/17 to mitigate any risk of unappropriated expenditure. The issue is largely confined to the 2016/17 financial year.

**Appropriation Changes**

	\$m - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Operating Balance Impact	36.945	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>36.945</b>	-	-	-	-

	\$m - increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
<b>Non-Departmental Other Expenses:</b>					
Primary Education	22.439	-	-	-	-
Secondary Education	10.346	-	-	-	-
<b>Multi-Category Expenses and Capital Expenditure</b>					
Outcomes for Target Student Groups					
<b>Non-Departmental Other Expense:</b>					
Learning Support	4.160	-	-	-	-
<b>Total Operating</b>	<b>36.945</b>	-	-	-	-

**Additional Recommendations**

- 7 **note** that the 2017 March Baseline Update understated the forecast for teachers' salaries in 2016/17 by \$21.649 million, due to the wrong fortnightly pay data being used;
- 8 **note** that the month of February actuals were inconsistent with that forecast;
- 9 **note** this has arisen in part due to the year ending January 2017 having an extra pay period (a

total of 27);

- 10 **note** that the Ministry has reforecast in light of the newly available data on January and February 2017 actuals;
- 11 **note** that the impact of the issue on 2017/18 and outyears is relatively small and any further adjustment will be reflected through the October Baseline Update;
- 12 **note** that the processes for estimating and checking the salaries forecast is being reviewed and additional steps implemented to avoid any repetition of this event;

**Vote:** Education

**Title:** Changes to Learning Support Category

**Description:** This initiative amends the title and scope statement for a category under Multi-Category Appropriation (MCA) “Outcomes for Target Student Groups” to create a more inclusive environment and eliminate barriers for children and young people.

**Additional Recommendations**

- 13 **note** in July 2016, the Cabinet Social Policy Committee agreed [SOC-16-MIN-0078 refers] to strengthen the inclusiveness of the education system by:
- a. undertaking detailed design of a new service delivery model that is child-centred, collaborative, features learning plans for individuals and has a single point of contact and accountability;
  - b. examining changes to the Ongoing Resourcing Scheme (ORS), Communication Services, and Behaviour Services to improve efficiency and flexibility;
  - c. doing further work on the implications of changing special education terminology to improve the inclusiveness of the education system;
- 14 **agree** to change the title and scope statement for the following category under the MCA “Outcomes for Target Student Groups” from 2017/18:

<b>Category Title</b>	<b>Type</b>	<b>Category Scope</b>
Special Needs Support	Non-Departmental Other Expense	This category is limited to providing additional resources to enable students with special education needs to participate in education.
Change to		Change to
Learning Support	Non-Departmental Other Expense	This category is limited to providing additional resources to enable students with additional learning needs to participate in education.

- Vote:** Education
- Title:** Christchurch Integrated Government Accommodation Programme Funding Shortfall
- Description:** The Ministry of Education, as the lead agency for the King Edwards Barracks co-location for the Christchurch Integrated Government Accommodation Programme, requires a capital injection of \$1.240 million in 2016/17 for the portion of tenancy fit-out costs that have been met by another agency that has since withdrawn.

### Appropriation Changes

	\$m – increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	1.240	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	<b>1.240</b>	-	-	-	-

	\$m – increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
<b>Capital Injection:</b>					
Ministry of Education - Capital Injection	1.240	-	-	-	-
<b>Total Capital</b>	<b>1.240</b>	-	-	-	-

### Additional Recommendations

- 15 **agree** that the Ministry of Education receives a capital injection for the portion of tenancy fit-out costs that is no longer being met by the co-locating agency, and is now being met by the Ministry of Business, Innovation and Employment (MBIE);
- 16 **note** that the above capital injection is offset by a corresponding capital withdrawal from MBIE, reflected in initiative ID 10026 in the Vote Business, Science and Innovation technical recommendations package, and so overall is fiscally neutral;
- 17 **note** that MBIE will also fund the additional replacement operating tenancy costs through to 30 June 2018 or until a new long-term sub-tenant is sourced, whichever occurs first;
- 10 **note** that the relevant revenue-dependent appropriation in Vote Education will increase by a commensurate amount upon receipt of the contribution from MBIE;

**Vote:** Education

**Title:** Public Private Partnership Revision – Hobsonville Point

**Description:** This initiative amends the split between capital and operating costs for the Hobsonville Point Public Private Partnership, to be consistent with the methodologies and classifications required under current guidelines and applied in subsequent Public Private Partnerships.

**Appropriation Changes**

	<b>\$m - increase/(decrease)</b>				
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21 &amp; Outyears</b>
Operating Balance Impact	1.006	1.167	1.251	1.331	1.442
Debt Impact	(1.006)	(1.167)	(1.251)	(1.331)	(1.442)
No Impact	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

	<b>\$m - increase/(decrease)</b>				
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Departmental Output Expense:</b>					
School Property Portfolio Management (funded by revenue Crown)	1.006	1.167	1.251	1.331	1.442
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	1.514	1.601	1.717	1.813	1.815
	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
	1.773	1.720	1.655	1.567	1.486
	<b>2031/32</b>	<b>2032/33</b>	<b>2033/34</b>	<b>2034/35</b>	<b>2035/36</b>
	1.353	1.205	1.032	0.811	0.565
	<b>2036/37</b>	<b>2037/38</b>	<b>2038/39 &amp; outyears</b>		
	0.323	1.368	-		
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Capital Injection:</b>					
Ministry of Education - Capital Injection	(1.006)	(1.167)	(1.251)	(1.331)	(1.442)



	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	(1.514)	(1.601)	(1.717)	(1.813)
	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	(1.773)	(1.720)	(1.655)	(1.567)
	<b>2031/32</b>	<b>2032/33</b>	<b>2033/34</b>	<b>2034/35</b>
	(1.353)	(1.205)	(1.032)	(0.811)
	<b>2036/37</b>	<b>2037/38</b>	<b>2038/39 &amp; outyears</b>	
	(0.323)	(1.368)	-	

	<b>\$m - increase/(decrease)</b>				
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21 &amp; Outyears</b>
<b>Total Operating</b>	1.006	1.167	1.251	1.331	1.442
<b>Total Capital</b>	(1.006)	(1.167)	(1.251)	(1.331)	(1.442)

### **Additional Recommendations**

- 19 **note** that appropriations for the development of two schools at Hobsonville Point under a Public Private Partnership were approved in Budget 2014 [CAB Min (14) 13/8(10), Initiative 8050 refers];
- 20 **note** that the Hobsonville Point Public Private Partnership was the first in the education sector and the financial modelling was extremely complex;
- 21 **note** that as a result some operating costs were inadvertently allocated to capital; and
- 22 **note** that financial models for subsequent Public Private Partnerships include a standard view of funding by appropriation.