

# Vote Education – Budget 2009 Package

You met with the Minister of Education at 8:30am on Monday 16 March 2009 to discuss the Vote Education budget package. This aide memoire summarises the decisions that were taken and provides further advice on what a realistic education budget package might look like.

## Savings

You **agreed to savings totalling** [deleted – confidentiality of advice] over the forecast period:

Vote Education Budget 2009 Savings	\$ million increase/(decrease)			
	2009/10	2010/11	2011/12	2012/13 & Outyears
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You noted that the following savings included in the above total will be included in the list to be approved by Budget Ministers (totalling [deleted – confidentiality of advice] over the forecast period – [deleted - confidentiality of advice] of the savings over the forecast period):

Vote Education Budget 2009 Savings subject to Cabinet Approval	\$ million increase/(decrease)			
	2009/10	2010/11	2011/12	2012/13 & Outyears
<b>Schooling</b>				
Unwinding new entrant class size reduction [deleted – confidentiality of advice]	-	-	(45.000)	(50.000)
<b>Tertiary</b>				
Adult & Community Education (reduction in funding subsidy)	(1.694)	(7.102)	(21.801)	(21.802)
Decrease university tripartite funding (funds wage pressures) by approximately 28% pa	-	(9.250)	(18.500)	(18.500)
<b>Centrally Managed Spend</b>				
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There is scope for further savings. For example the current education baseline includes \$146.943 million over the forecast period to fund a 4% pay rise for kindergarten teachers from July (to retain pay parity with primary teachers), but this is not yet contractually committed.

## Policy priorities

*[information deleted in order to maintain the current constitutional convention protecting the confidentiality of advice tendered by ministers and officials]*

## Operating policy priorities

Vote Education Operating Policy Priorities	\$ million increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Priorities agreed by Ministers</b>					
Teachers' wages precommitment	-	169.128	192.414	192.414	192.414
Voluntary bonding scheme (SOC Min (09) 2/1)	-	-	-	11.135	5.290
School operational funding	-	11.510	22.744	22.816	23.020
Extending the Ongoing & Reviewable Resourcing Schemes	-	5.000	10.000	10.000	10.000
Additional funding for independent schools	-	5.000	10.000	10.000	10.000
<b>Total priorities agreed by Ministers</b>	-	190.638	235.158	246.365	240.724
<b>Priorities for which Ministers requested further details on costings</b>					
21st Century Building Programme (partially agreed - CAB Min (09) 3/3)	-	41.391	49.363	56.163	56.847
<i>Treasury package</i>	-	41.391	47.596	49.628	48.543
Student Loan Voluntary Repayment Bonus (SOC Min (09) 3/2)	0.103	(71.864)	(0.758)	(1.974)	(3.246)
<b>Total of priorities for which Ministers requested further details on costings</b>	0.103	(30.473)	48.605	54.189	53.601
<b>Priorities for which Ministers requested scaled option</b>					
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<b>Priorities on which Ministers didn't make an explicit decision</b>					
Additional truancy funding	-	4.000	4.000	4.000	4.000
<i>Treasury package</i>	-	4.000	4.000	4.000	4.000
Additional funds for the Interim Response Fund for disruptive pupils	-	2.000	2.000	2.000	2.000
<i>Treasury package</i>	-	2.000	2.000	2.000	2.000
Awards for top performing teachers	-	1.000	2.000	2.000	2.000
<i>Treasury package</i>	-	-	-	-	-
Expanding Te Kotahitanga	-	6.735	10.913	14.463	12.143
<i>Treasury package: 30 extra schools in 2009/10</i>	-	6.360	4.553	2.073	0.683
Support for students to meet literacy and numeracy standards	-	9.000	18.000	18.000	18.000
<i>Treasury package: only commence funding once have basis for allocation &amp; phase</i>	-	-	4.500	12.500	18.000
<b>Total priorities on which Ministers didn't make an explicit decision</b>	-	35.095	47.466	48.536	44.826
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This Treasury package funds roughly [deleted - confidentiality of advice] of the priorities on which Ministers didn't make an explicit decision at the Vote Education bilateral. While only the second package gets to [deleted – confidentiality of advice] in outyears, there is likely to be upside risk in some of the numbers (eg student loan voluntary repayment bonus, [deleted – confidentiality of advice]).

Our scaling and phasing decisions have been made for the following reasons:

- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- Awards for top performing teachers – we have not supported funding as we consider non-monetary rewards would be as effective at recognising top performing teachers and that remuneration should be met from within existing funding for salaries.
- Te Kotahitanga – while the Government has a manifesto commitment to expand this programme, there was no specific level of expansion suggested. The bid is to add 30 additional schools in each of the next three years. We recommend only funding 30 additional schools in 2009/10. Further funding can be considered in Budget 2010 and informed by the findings of the February 2010 evaluation and the Ministry's proposed review of professional development (including whether it should become mainstream within the professional development budget).
- Support for students to meet literacy and numeracy standards – we recommend not commencing funding until the 2011 school year when the Ministry will have developed an information basis on which to target the funding towards those schools most in need of support (funding distributed now without such information will be difficult to reallocate in the future).

#### Capital policy priorities

Vote Education Capital Policy Priorities	\$ million increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Priorities for which Ministers requested further details on costings</b>					
School property business case (partially agreed - CAB Min (09) 3/3)	-	172.133	193.194	33.127	-
<i>Treasury Supported</i>	-	172.133	142.944	10.827	-
Student Loan Voluntary Repayment Bonus (SOC Min (09) 3/2)	(2.602)	24.288	15.954	15.309	14.326
<b>Total of priorities for which Ministers requested further details on costings</b>	<b>(2.602)</b>	<b>196.421</b>	<b>209.148</b>	<b>48.436</b>	<b>14.326</b>
<b>Treasury Supported Package</b>	<b>(2.602)</b>	<b>196.421</b>	<b>158.898</b>	<b>26.136</b>	<b>14.326</b>

#### School Property

You requested further information on how the 21<sup>st</sup> Century Building Programme bid fits with the fiscal stimulus package that has already been agreed (refer CAB Min (09) 3/3). The costings above include the up to \$199 million of funding agreed in 2009/10 as part of the fiscal stimulus package, but not the \$28 million agreed in 2008/09.

We have provided alternative costings for the school property bid which are based on only funding school property that cannot be deferred until Budget 2010 or beyond. The funding does not include any funding for making schools broadband ready. Broadband funding is being sought as part of the wider Vote Communications broadband initiative.

#### Student Loan Voluntary Repayment Bonus

We are still working through what a realistic capital cost for this policy is with the Ministry of Education.

### *Policy priorities being considered*

You also noted that two education bids are being considered in other Votes:

- Performance Based Research Fund – will be considered as part of the Research, Science and Technology package which is to be submitted by 20 March 2009
- Medical student places – a scaled version of this bid is currently in the Vote Health budget package

### **Emergency pressures**

You discussed the emergency pressures submitted by the Minister of Education and agreed to support an amount somewhere between that supported by the Treasury and the Ministry. You agreed to consider the [deleted – confidentiality of advice] and workplace literacy fund as part of the Job Summit package. In some instances you made explicit decisions to fund or give further consideration to particular pressures – this is summarised in the tables on the next two pages. Where explicit decisions were not made we have indicated what we consider to be sensible scaling and phasing options.

## Operating emergency pressures

Vote Education Operating Emergency Pressures	\$ million increase/(decrease)				
	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Emergency pressures agreed by Ministers</b>					
Caretakers, cleaners & grounds staff wages (already agreed)	-	17.512	17.512	17.512	17.512
Maintaining current level of NCEA moderation	-	2.720	2.720	2.720	2.720
Funding for entitlements already advised to schools					
School heat, light & water grants	(0.824)	3.198	2.420	2.419	2.416
School reorganisations	1.000	1.350	0.456	(0.595)	(1.996)
Funding to allow alternative education students to dual enrol in the Correspondence School	0.571	0.571	0.571	0.571	0.571
Maintaining existing level of funding for School High Health Needs Fund	-	2.671	2.671	2.671	2.671
<b>Total emergency pressures agreed by Ministers</b>	<b>0.747</b>	<b>28.022</b>	<b>26.350</b>	<b>25.298</b>	<b>23.894</b>
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<b>Emergency pressures that Ministers indicated they will consider further</b>					
Early childhood annual cost adjustment	-	15.000	16.000	17.000	17.000
<i>Treasury package 1 - don't support</i>	-	-	-	-	-
<i>Treasury package 2 - support</i>	-	15.000	16.000	17.000	17.000
Before school checks	-	5.400	5.400	5.400	5.400
<i>Treasury package</i>	-	5.400	-	-	-
NCEA alignment of standards	-	4.640	4.915	4.250	0.500
<i>Treasury package</i>	-	2.500	2.500	1.000	-
<b>Total of emergency pressures that Ministers indicated they will consider further</b>	<b>-</b>	<b>45.440</b>	<b>42.315</b>	<b>43.650</b>	<b>39.900</b>
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<b>Remaining emergency pressures - to be funded within existing baselines or not funded at all</b>					
Time limited funding initiatives					
National Aspiring Principals Pilot	-	0.500	0.500	0.500	0.500
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Extra therapy support for some high needs students	-	1.243	2.486	2.486	-
Cost increases (including remuneration pressures)					
[deleted – confidentiality of advice]	-	0.522	1.006	1.056	1.111
Expanding existing services					
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New initiatives					
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Training for new born hearing screening advisors	-	0.800	2.000	2.500	2.800
International student levy	-	1.800	3.600	3.600	3.600
Increasing student allowance entitlements	-	3.801	8.045	8.202	8.224
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Our scaling and phasing decisions have been made for the following reasons:

- Early childhood annual cost adjustment – we are currently working with the Ministry to get a better sense of the drivers behind this adjustment, including options for scaling any adjustment. The bid assumes the status quo approach of the previous “free” 20 hours policy. We will aim to identify which types of provision and to which age groups a funding change is most justifiable for.
- Before school checks – we have supported one year of funding, but consider that ongoing funding should only be considered in Budget 2010 after the Ministry completes the proposed review of special education.
- NCEA alignment – we consider much of this should be Ministry of Education core business plus the costs appear high. We have scaled the numbers accordingly.

**Capital emergency pressures**

*[information deleted in order to maintain current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

**How proposals compare to pre-election indicative operating allocation**

Prior to the election the National party indicated that it would spend \$1515 million in operating over the forecast period. When the March Baseline forecast changes are included the proposed spending on new initiatives for each of the two Budget packages exceeds the indicative education allowance.

*[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*