

Date: 20 March 2009

DH-4-1-1-2009

To: Minister of Finance



## AIDE MEMOIRE: VOTE EDUCATION BUDGET PACKAGE

### PURPOSE OF AIDE MEMOIRE

You are meeting with the Minister of Education at 1:00pm on Tuesday 24 March 2009 to decide on a Budget package for Vote Education.

We understand that you have asked for additional information on:

- The impact on baselines of proposed budget packages (refer p 2)
- The extent to which schools have discretion over additional funding in Budget 2009 (refer p 5)

This note provides you with that information, as well as some additional advice on the savings proposed in Vote Education (refer p4).

We have also provided you with an annotated agenda to assist you and the Minister of Education to make decisions at the bilateral.

### Contacts:

**Stephen Glover**, Manager, Children and their Families (917 6123; [deleted – privacy])

**Simon MacPherson**, Manager, Workforce Attachment and Skills (917 6030; [deleted – privacy])

### VOTE EDUCATION – IMPACT ON BASELINES OF MoE & TREASURY RECOMMENDED PACKAGE (p2-3)

We understand that you are interested in the overall impact of the Treasury and MoE recommended packages, with and without the impact of the Innovation Precommitment unwind. The next page summarises the impact of the Treasury's package and the following page summarises the impact of the Ministry's package.

The key differences in the Treasury and Ministry's packages are:

- 20 Hours ECE changes – we understand that the Minister of Education will want to fund at least some of these changes.
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
- Other policy priorities – different scaling and phasing options for awards for top performing teachers, expanding Te Kotahitanga, support to meet national standards and ORRs
- Emergency pressures – only additional pressure to those which have already been agreed that Treasury supports is partial funding for NCEA alignment of standards. We do have middle options for the [delete – confidentiality of advice] and ECE cost adjuster but these have not been included in the graphs of Tsy's proposed package on the next page.

Note that the teachers' wages precommitment does not change the overall baseline because it has already been appropriated.

No student support flow ons to Votes Social Development and Revenue have been included because they do not change Vote Education baselines. We have also not included the potential increases in baselines from the impact of extra medical student places and additional PBRF funding as these are being decided through separate processes.

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



## **TREASURY ADVICE ON MINISTRY OF EDUCATION PROPOSED SAVINGS OPTIONS**

A significant proportion of the savings from Vote Education have been added to the list for Budget Ministers *[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions]*

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

It is likely that Budget Ministers on 30 March could decide to not pursue these savings in Budget 2009. Or they may ask for further work on most/all of these savings, with a view to developing proposals for Budget 2010, rather than realising the savings in Budget 2009.

To enable you to secure these savings (or an equivalent amount) for Budget 2009, we suggest that Ministers (Mrs Tolley and yourself) request a joint report from Treasury and the Ministry of Education on these risky savings, at your second bilateral on Tuesday. A report back by 10 April would allow two weeks for this joint work, and would allow the final nature of the savings taken to be reflected in the Budget Cabinet paper. The two agencies would need to work within the agreed quantum of savings and, in each of the five cases, either provide an outline of the change management strategy required to deliver the savings, or propose alternative mechanisms to achieve equivalent savings – that may be easier to deliver – along with an outline of how these would be delivered.

### **EXTENT TO WHICH SCHOOLS HAVE DISCRETION OVER THEIR FUNDING (p5)**

Page 5 sets out two tables – the first indicates the relative degree of discretion schools have over their overall funding and the second indicated the relative degree of discretion schools will have over policy priority bids and the higher priority emergency pressures. In terms of Budget 2009 funding schools will have a large degree of discretion over 13% of the schooling funding in Treasury's revised package and partial discretion over another 81% of the funding.

# Schooling – extent to which schools have discretion over funding

No tertiary, no ECE

**VOTE EDUCATION:**  
Schools have a large degree of discretion over 22% of their funding & partial discretion over 62% of their funding.

**VOTE EDUCATION BUDGET 2009:**  
Schools will have a large degree of discretion over 13% of the schooling funding in Treasury's revised package & partial discretion over another 81% of the funding.

Vote Education Baselines (as at 2008/09 OBU)		
	Type of funding (2008/09 OBU numbers)	Comment
Large degree of discretion: \$1402m	Primary Operations: \$796m	
	Secondary Operations: \$606m	
	Primary Salaries: \$1,591m	Schools have discretion over teacher hiring, performance management and the number of management units teachers receive. Schools are not able to exchange staff for cash and have no control over salaries which are negotiated centrally.
Secondary Salaries: \$1,212m		
Partial discretion: \$3,881m (a further \$800m no discretion over)	Property: \$1,242m ( <b>\$600m no discretion</b> )	Schools have some discretion to spend money as they want but subject to obligations to meet certain property standards.  Capital charge represents roughly \$600m of this funding.
	Special Needs: \$494m ( <b>\$198m no discretion</b> )	Where Ministry employees provide service no discretion (roughly 40% of funding). Where funding is provided directly to schools for a particular purpose some discretion over how it is used.
	Transport: \$142m	Schools have a choice between opting into Ministry managed contracts or devolved funding
	Professional development: \$136m	Funding for Ministry mandated programmes. Funds providers and teacher release time.
	School Improvement: \$13m	Ministry selects schools. Usually managed by third parties eg Colleges of Education.
No discretion: \$1,002m (includes \$800m from above)	Teacher development: \$35m	Awards and scholarships. Large proportion part of collective agreements.
	Allowances & Scholarships: \$18m	Eg boarding allowances & bursaries, home schooling allowances

Vote Education Policy Priorities and Emergency Bids		
Priority/pressure (four year cost as per bid)	Comment	
School operational grant funding: \$80m	Agreed at bilateral	Large degree of discretion: [deleted – confidentiality of advise]
Additional funding for private schools: \$35m	Agreed at bilateral	
Support for students to meet literacy and numeracy standards: \$63m	Treasury revised package supports \$35m	
Additional truancy funding: \$16m	Treasury revised package supports \$16m	Large degree of discretion: [deleted – confidentiality of advise]
Funding to allow dual enrolment in Correspondence school: \$3m	Agreed at bilateral	
School heat, light & water grants: \$10m	Agreed at bilateral	
Caretakers, cleaners & grounds staff wages: \$70m	Agreed at bilateral	
[deleted – negotiate without prejudice]	[deleted – negotiate without prejudice]	
Teachers' wages precommitment: \$746m	Agreed at bilateral	
School property operational funding: \$204m	Treasury supports \$187m	
Interim response fund: \$8m	Treasury revised package supports \$8m	
Additional ORRS funding: \$63m	You agreed to \$35m at the bilateral	
Expanding Te Kotahitanga: \$44m	Treasury revised package supports \$14m	
Voluntary bonding scheme: \$16m	Agreed at bilateral	No discretion: [deleted – confidentiality of advise]
Awards for top performing teachers: \$7m	Treasury does not support	
Maintaining level of NCEA moderation: \$11m	Agreed at bilateral	
NCEA alignment of standards: \$14m	Treasury revised package supports \$6m	