

Hon Anne Tolley
Minister of Education
Parliament Buildings
WELLINGTON

Dear Anne

OUTCOME OF CABINET CONSIDERATION OF THE BUDGET PACKAGE

On 14 December Cabinet agreed to allocate \$300 million of the \$1.1 billion operating allowance for Budget 2010 to Vote Education.

In addition I would like to take this opportunity to confirm my agreement to your proposed treatment of forecast changes for 2009/10, as set out in your letter to me of 27 November 2009, and as outlined in the following table.

Forecast changes for 2009/10 year	2010/11 \$m	2011/12 \$m	2012/13 \$m	2013/14 \$m
Teacher volumes (excludes correspondence school)	28.6	29.8	30.4	41.6
Changes in school rolls	11.3	7.5	7.8	14.1
Early Childhood Education changes	74.0	115.3	120.5	134.0
Totals	113.9	152.6	158.7	189.7

The pressures to be managed as forecast changes will not need to be met from within baselines or the \$300 million increase provided. I expect that all other pressures within Education will be managed from within baselines and the \$300 million increase provided.

The treatment of forecast changes in 2010/11 and beyond, in particular whether or not the costs of school roll driven changes should continue to be managed centrally, will require further consideration in the New Year and will affect Budget 2011 decisions.

The next step in the Budget process is for Ministers to submit Capital bids by 5 February 2010, supported by business cases as appropriate. Following that, Baseline Alignment Proposals are due on 8 March 2010.

Yours sincerely

Hon Bill English
Minister of Finance