

The Treasury

Budget 2013 Information Release

Release Document

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



THE TREASURY

Kaitohutohu Kaupapa Rawa

Reference: T2012/3278

Date: 14 December 2012

To:
Minister of Finance
(Hon Bill English)

Aide Memoire: 18 December Bilateral with Minister Parata re. Vote Education 4YP

You are meeting with the Minister of Education at 3pm on Tuesday, 18 December 2012 to discuss the Vote Education Four-Year Plan and the proposed package for Budget 2013.

[7]

The purpose of this note is to give some further background and suggest issues you may wish to discuss with the Minister of Education.

Overall assessment of the Vote Education package

You may wish to raise with Minister Parata that even if we can achieve a balanced package in 2013, the combination of a high degree of ambition for the sector, tight fiscal environment and ongoing uncertainty due to the forecast-driven nature of large components of the Vote means that there is a strong case for exploring options that give further flexibility to act should this be required. This should include options for scaling/deferring pressures (as the Ministry suggested in the attached A3), back-up options for savings, and policy changes that maximise contribution to outcomes within constrained resources and ensure the medium-term sustainability of the sector.

A few suggested areas that you may wish to reflect on in this respect are set out below.

Pressures

- The Plan seeks funding to increase the Operations Grants paid to schools in line with CPI forecasts. This is a significant pressure over the period (\$87m).
 - You may wish to ask Minister Parata whether a lower average Operations Grant increase could be provided and if so, how this could be better targeted at priority learner groups, or schools with the greatest need, e.g. an increase in decile funding rather than an overall Operations Grant increase.

- The Plan seeks funding in Budget 2013 for participation initiatives and the full flow-on cost of achieving the BPS ECE 98% target. Uncertainty remains around if, how and when the 98% will be achieved.
 - You may wish to ask Minister Parata what steps are in place to ensure the delivery of the target and if the funding proposed in the Four-Year Plan supports this.
 - You may also wish to discuss whether we should set aside provision in contingency for the full costs of 98% participation now, or whether we should focus on funding initiatives driving increased participation and fund the costs of provision on a more ongoing basis as volume growth materialises.

- [6]

Further savings options

- Savings options are raised in the Four-Year Plan and repeated for your reference in the annotated agenda. It would be helpful if Ministers could indicate to officials any of these options that you might entertain, if required to achieve a balanced Budget. Even if these are considered only as back-up options, we recommend that you ask the Ministry to do further work assessing in detail the impacts (e.g. particular winners and losers), savings and timing of implementation.

- The Ministry have proposed to use unspent Budget 2012 contingencies to fund future pressures. We will work through the detail of the proposal further but you

may wish to signal that this would contravene standard treatment whereby unspent contingencies are returned to the centre.

Medium-term sustainability

It may be possible to balance Budget 2013 through scaling/deferring pressures. However, there is a strong case for looking at changes that maximise contribution to outcomes within constrained resources and ensure the medium-term sustainability of the sector. Some such options are raised in the annotated agenda. Some of these, particularly those where savings may not materialise until future years, could benefit from further development outside of the Budget process.

- You may wish to agree with Minister Parata that this could form part of the SEC forward work programme.

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