

# The Treasury

## Budget 2013 Information Release

### Release Document

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
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- [12] Not in scope
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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.

## Balancing the Vote Education Budget package

MoE's proposed package now balances across the five-year period and in outyears.

	2012/13	2013/14	2014/15	2015/16	2016/17	Five-year total
Total Budget initiatives proposed by MoE	-4.571	132.668	140.985	125.493	145.613	540.188

This has been achieved by reducing ECE participation from \$115m to \$80.5m (funding the projected 2013/14 increase only) and not funding PB4L in the outyear.

Treasury does not support the approach to PB4L. We know that the PB4L pressure will definitely eventuate in outyears unless Ministers make a conscious decision to terminate the programme.

**Treasury recommends instead balancing the package by not funding any universal cost adjustment for ECE (MoE's proposal is to increase subsidies by 2%).**

Recommended option: Not funding the ECE universal cost adjustment will balance the package, including in outyears. ECE providers serving low SES families will still benefit from additional ECE Equity funding in the package

	2012/13	2013/14	2014/15	2015/16	2016/17	Five-year total
MoE recommended package	-4.571	132.668	140.985	125.493	145.613	540.188
Plus PB4L 2016/17 and outyears					16.280	16.280
Less some small initiatives in line with Treasury recommendations*		-1.450	-2.700	-2.700	-2.700	-9.550
Less a universal ECE cost adjustment		-9.390	-9.539	-9.750	-9.916	-38.595
<b>Treasury recommended package for Vote Education</b>	<b>-4.571</b>	<b>121.828</b>	<b>128.746</b>	<b>113.043</b>	<b>149.277</b>	<b>508.323</b>

Option 2: Use both ECE price and volume to arrive at a balanced package

	2012/13	2013/14	2014/15	2015/16	2016/17	Five-year total
Treasury recommended package	-4.571	121.828	128.746	113.043	149.277	508.323
Plus a lower ECE cost adjustment (1.55% vs MoE proposal of 2%)		7.277	7.393	7.556	7.685	29.911
Less the reduction required in ECE volume to balance the package in outyears		-6.962	-6.962	-6.962	-6.962	-27.848
<b>Balanced package based on reductions in both ECE price and volume</b>	<b>-4.571</b>	<b>122.143</b>	<b>129.177</b>	<b>113.637</b>	<b>150.000</b>	<b>510.387</b>

Option 2 allows Ministers to fund an ECE universal cost adjustment equivalent to the across-the-board School Ops Grant cost adjustment (1.55%), leaving a gap of \$7m in outyears.

Deferring more of the ECE participation costs into future Budgets is then used as a balancing item.

Uncertainty remains around when cost pressures from increased participation will eventuate, so increases in participation could be funded if and when they materialise.

Option 3: Balancing the package entirely by deferring ECE volume (i.e. no change to MoE's proposed ECE price adjustment)

	2012/13	2013/14	2014/15	2015/16	2016/17	Five-year total
Treasury recommended package	-4.571	121.828	128.746	113.043	149.277	508.323
Plus full ECE cost adjustment (2%)		9.390	9.539	9.750	9.916	38.595
Less reduction required in ECE volume to balance the package in outyears		-9.193	-9.193	-9.193	-9.193	-36.772
<b>Balanced package based on reductions in ECE volume only</b>	<b>-4.571</b>	<b>122.025</b>	<b>129.092</b>	<b>113.600</b>	<b>150.000</b>	<b>510.146</b>

\*Small initiatives where Treasury recommends a different approach to MoE irrespective of how the package is balanced are:

1. Funding the first year of the school property asset management improvement programme only pending an evaluation (reducing pressures of \$1.5m pa from 2014/15)
2. Not funding cost pressures on established property management service contracts on the basis of poor value-for-money (reducing pressures of \$0.7m pa from 2013/14)
3. Asking MoE to fund from reprioritisation a one-off cost for Ngarimu VC scholarship fund (reducing pressure of \$0.25m in 2013/14 only)
4. Not funding independent advice on Government priority areas on the basis of a lack of information (reducing pressures of \$0.5m pa from 2013/14)