

The Treasury

Budget 2015 Information Release

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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.



Reference: T2015/124

SH-11-1-3

Date: 18 February 2015

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

SSW Ministers

Deadline: SSW Ministers meeting on 23th February 2015
(if any)

Aide Memoire: Budget 2015 Initiatives in the BGA Skilled and Safe Workplaces Workstream

Purpose

The purpose of this note is to support a discussion amongst Skilled and Safe Workplaces Ministers on the relative priority of Budget initiatives that relate to the Skilled and Safe Workplaces (SSW) workstream of the Business Growth Agenda (BGA).

The tables in the Annex outline the relevant initiatives and the Treasury's advice on their value for money, links to BGA objectives, and the degree of pre-commitment or discretion over progressing the initiative.

The Treasury assessments focus on the merits of the initiatives as they stand. Once each of the BGA workstream Ministerial groups have discussed the initiatives, Budget Ministers will consider options for prioritised packages across the BGA to fit into the available allowance.

Budget 2015 context

- The emphasis of Budget 2015 is to target children in material deprivation as well as continued focus on results and improving public sector performance.
- There are a large number of initiatives that have been submitted in Budget 2015. In total, there is around \$1.8 billion to \$2.1 billion a year of operating pressures, of which \$215 million to \$265 million are BGA-related initiatives.
- Funding all initiatives would require active reprioritisation, significant savings and/or revenue increases.

- Within this workstream, there are around \$75 million per annum of operating pressures. To support a discussion on priorities we outline some suggested discussion points on options and key trade-offs below.

Suggested discussion points

Additional tertiary places and sustainability of the tertiary system. A number of tertiary education initiatives provide increased funding for the provision of tertiary places. The Treasury's assessment is that these initiatives do not require funding in this Budget. We understand that Ministry of Education and Tertiary Education Commission data on the performance of Tertiary Education Institutions indicates that the sector is not exposed to immediate cost pressures.

One of the initiatives seeks to rebalance tuition subsidies relative to costs across the tertiary system. However the SSW Cross Agency Group and the Treasury consider that the tertiary system should increasingly incentivise participation in training where public benefits are larger, rather than aim for neutrality of funding across courses. The Treasury therefore recommends deferring this initiative until there has been more development this year of the potential SSW package for Budget 2016.

Which initiatives do Ministers consider as most critical for the success of the Crown investment in tertiary education? Is funding neutrality an objective?

Do Ministers consider there to be immediate cost pressures in the sector that require funding in this Budget?

Use of savings in Vote Tertiary Education. The Ministry of Education has highlighted that they expect lower than previously forecasted demand for tertiary education. As a result this is likely to lead to fee recoveries in the Student Achievement Component. The TEC have given an initial estimate of [8] recoveries from 2014. Treasury's view is that these recoveries, once confirmed, should then be returned for reprioritisation across crown expenditure.

It is **important to note** that there is uncertainty over the size of any recoveries and such one-off savings should not be used to fund ongoing initiatives.

How do Ministers wish to consider the use of savings and underspends?

Additional questions for Ministers' discussion include:

- Given Budget pressures, which are the most critical initiatives for delivering on BGA refresh priorities?
- What trade-offs would need to be made for Ministers to progress the initiative by reprioritising within their baselines?

[9]

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ANNEX

Vote and title of bid	Description	\$m Departmental sought(black)/ Treasury recommended (red)					Treasury assessment		
		14/15	15/16	16/17	17/18	18/19	Value for money	Links to BGA	Degree of discretion
Economic Development and Employment <i>Funding for Maori and Pasifika Trades Training Consortia</i>	The additional funding is needed to meet costs of the additional places the Government has indicated it intends to fund over the next three years (i.e. the number of places increase by up to 2000 by 2018/19). [8]	0	0.167	0.500	0.833	1.167	SUPPORT There is evidence of good outcomes with the pilot of this programme showing it can increase the participation and completion rate of students and their employment prospects. There are some concerns about the consistency of quality of consortia (i.e. capability).	Links to BGA initiatives to boost vocational skills and boosting achievement for Maori and Pasifika	Manifesto Commitment to increase MPTT places by up to 2000 by 2018/19. Deferral may delay the take-up of places by students/formation of consortia in time to achieve the target by 2018/19.
		0	0.167	0.500	0.833	1.167			
Tertiary Education <i>Increase the number of places in Maori and Pasifika Trades Training</i>	This initiative will provide funding to increase the number of MPTT training places. The Government has committed to increase places from 3,000 to 5,000 over four years. Note the related bid to increase MPTT Consortia activities above.	0	2.000	4.000	7.000	9.000	SUPPORT subject to scaling Related consortia activities may need more time to expand their capabilities. Treasury supports a scaled option that takes a first step and funds an additional 500 places [8]	Contributes to the Tertiary Education Strategy, BPS target 6, Christchurch rebuild.	
		0	2.000	4.000	4.000	4.000			
Labour <i>Maintaining Employment Relations and Standards Service Delivery</i>	There is increasing evidence that the employment relations and employment standards regulatory system is not delivering the outcomes the government wants, particularly for vulnerable workers. This initiative will support the system to function effectively.	0	8.800	8.800	8.800	8.800	SUPPORT Agency information suggests there will be net benefits from greater focus on employment standards. Funding will both maintain current service levels, and expand services such as information provision to businesses to achieve new policy objectives.	Links to BGA initiative to improve employment standards requirements	Agreed policy direction. Initiative is discretionary but partly required to maintain current service levels
		0	8.800	8.800	8.800	8.800			
[8]									
Tertiary Education <i>Raising engineering graduate numbers</i>	International comparisons suggest that New Zealand produces engineers at a rate significantly lower than the OECD average, impacting on economic opportunity. This bid provides initiatives to increase the number of graduate engineers.	0					[8]	Links to critical skills development as key drivers to labour market capability and innovation within the economy.	Manifesto Commitment
		0							
[8]									

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Tertiary Education <i>Targeting increases in tuition subsidy funding</i>	Tuition subsidy increases to targeted, priority fields of study to bring tuition subsidy funding into closer alignment with the relative costs of delivery.	0 0	21.600 0	43.200 0	43.200 0	43.200 0	DO NOT SUPPORT Identified subject areas (Agriculture and Science at degree level and above, Optometry and Physiotherapy), have good employment outcomes and are highly relevant. This initiative would move the funding system towards more neutrality between subjects, discouraging the link between employment relevance and quantity of provision.	This initiative is not consistent with the emphasis on encouraging relevance in the MoE 4YP and the Tertiary Education Strategy.	Discretionary.
[8]									
Tertiary Education <i>Maintaining the Student Allowance parental income threshold</i>	Provide savings to the centre by continuing to maintain the parental income threshold for access to student allowance at its current rate for an additional three years to 2019.	0 0	(0.500) (0.500)	(2.400) (2.400)	(4.300) (4.300)	(5.300) (5.300)	SUPPORT Maintaining the student allowance parent income threshold at the current level directs support to students most in need.	No direct link.	Discretionary.
Tertiary Education <i>Increase the number of items in the Youth Literacy and Numeracy Assessment Tool</i>	Provides funding to add 1,500 additional assessment items to ensure the continuing effectiveness of the Youth Version of the Literacy and Numeracy Assessment Tool.	0 0	0.483 0.483	0.257 0.257	0.188 0.188	0.188 0.188	SUPPORT Assessment Tool informs the development of learning interventions that strengthen literacy and numeracy skills. This initiative increases the number of learners aged 15 to 25 and also younger Māori and Pasifika learners, participating in programmes like the Youth Guarantee. Successful pilot indicates that the benefits are likely to outweigh the costs.	Improves the relevance of the literacy and numeracy assessment to learners, employers and the secondary and tertiary education sectors. Indirectly links to SSW goal.	Discretionary.
Tertiary Education <i>Enhance information for learners – establishing a Rate my Qualification survey</i>	Funding to establish and operate a Rate My Qualification survey for employers and graduates to provide direct feedback to tertiary institutions and students. Builds on the survey being piloted during 2015.						SUPPORT The survey option has been selected based on international evidence of effectiveness and positive feedback from key New Zealand stakeholders. The survey would contribute to the information set for learners enabling more informed study choices and helping to lift the relevance of tertiary education.	Initiative would support strengthening links between tertiary providers and employers and contributes to SSW goal.	Manifesto Commitment
Economic Development & Employment <i>Skills and Employment Hub</i>	To fund the extension of the Canterbury Skills and Employment Hub to cover the continuing demand driven by rebuild activity, the establishment of a South Auckland Hub to further trial the Hub model in a different labour market environment, and the development of an IT system to support the Hubs.	0 0	2.950 2.950	1.850 1.850	1.850 1.850	1.850 1.850	SUPPORT The Hub model is designed to allow better decision making between Immigration NZ and Work and Income. Evaluations have shown positive outcomes for the recovery of Canterbury. The key risk of national roll-out is that the Canterbury labour market has significant differences to elsewhere. Funding to continue the Canterbury Hub could be separated from the new South Auckland Hub.	Initiative contributes to MBIE's priorities, and is linked to the Government's priorities in the SSW stream of the BGA.	Discretionary.