

The Treasury

Budget 2017 Information Release

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[40]	Not in scope	

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Treasury Report: Budget 2017 Bilateral with the Minister of Education

Date:	13 March 2017	Report No:	T2017/543
		File Number:	SH-4-4-4

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Steven Joyce)	Note the contents of this report ahead of your bilateral discussion with the Minister of Education and Associate Minister of Education on Wednesday 15 March. Refer the attachments to the Minister of Education ahead of the bilateral discussion.	Wednesday 15 March 2017
Associate Minister of Finance (Hon Simon Bridges)	Note the contents of this report.	
Associate Minister of Finance (Hon Amy Adams)	Note the contents of this report.	

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[34]	Analyst, Education and Skills	[39]	N/A
Diana Cook	Acting Team Leader, Education and Skills		N/A

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Refer Annexes 3 and 5 to the Minister of Education's office prior to the meeting on Wednesday 15 March.

Note any feedback on the quality of the report

Enclosure: Yes (Attached)

Treasury Report: Budget 2017 Bilateral with the Minister of Education

Executive Summary

You are due to meet with the Minister of Education and Associate Minister of Education on Wednesday 15 March to discuss the education sector package for Budget 2017. This report provides you with information to support you in that discussion.

The draft social sector package includes an average of **\$262 million per annum** of Track 2 initiatives for the education sector. This is the minimum amount that needs to be funded without making some more difficult choices on current settings and/or impacting on service delivery. This draft package includes some funding for the cost pressures which are evident across the system as the Ministry of Education aims to deliver an ambitious work programme and manage demand growth.

This package does not include funding for the schools' operating grant or a targeted adjustment for early childhood education, which may result in a negative impact on services.

If an extra ^[33] is allowed in the social sector package we would suggest including some funding for:

- schools' operations grant
- targeted adjustment for early childhood education

[33]

Hon Parata is likely to press for more funding for:

- early childhood education (9531) and the schools operating grant (9532)

[33]

In addition to the social sector package, the Minister has put forward a significant bid for the School Property Growth Package capital initiative. The full package would require a [33] capital injection. The draft capital package provides for a \$222.10m capital injection and would carry a degree of risk due to roll growth, particularly in Auckland, [34]

The Minister of Education has submitted [33] bids for consideration for Track 1 averaging [33] per annum. Of this, Treasury is recommending Budget Ministers consider funding [33] with an average of [33] per annum.

Recommended Action

We recommend that you:

- a **note** the Treasury has prepared a draft package for each workstream which allows Ministers to remain within the current operating and capital allowance settings
- b **note** this package reflects top-down adjustments, scaling and deferral of initiatives which are high value-for-money and therefore involves significant trade-offs
- c **note** the package is indicative only and is intended to be a starting point for discussion with portfolio ministers around their key priority areas
- d **note** the attached draft social sector operating and capital packages for Vote Education and Vote Education Review Office has been provided to Minister Parata ahead of the bilateral discussion on 15 March 2017
- e **refer** the attached annex on the Treasury's Track 1 recommendations for Vote Education to Minister Parata and Minister Kaye ahead of the bilateral discussion on 15 March 2017, and

Refer/not referred.

- f **refer** the attached annex on the Treasury's recommendations for the School Property Programme Business Case to Minister Parata and Minister Kaye ahead of the bilateral discussion on 15 March 2017.

Refer/not referred.

Diana Cook
Acting Team Leader, Education and Skills

Steven Joyce
Minister of Finance

Treasury Report: Budget 2017 Bilateral with the Minister of Education

Purpose of Report

1. The purpose of this report is to provide you with information ahead of a meeting with the Minister of Education and the Associate Minister of Education (Hon Kaye) on Wednesday 15 March at 7.30pm to discuss the education sector package for Budget 2017. Specifically this report:
 - a provides an overview of the draft package for the education sector, and
 - b outlines the risks, trade-offs and implications associated with the draft package, along with our advice on potential areas that could be considered for further investment if there is additional headroom, and areas where the Minister and Associate Ministers of Education are likely to seek additional investment.

[40]

Background

3. You have received advice on the draft Budget package for your consideration (T2017/387 refers), which has the minimum required while remaining within the allowances signalled through the Budget Policy Statement. This reflects the transition from individual Treasury assessments of initiatives to a cross sector prioritisation. The social sector draft minimum package stands at an average of [33] gross per annum. This compares to total bids from relevant agencies of [33]
4. The draft package primarily reflects cost pressures and pre-commitments which are non-discretionary, with very little room for discretionary high value-for-money initiatives. As noted in T2017/387, there are significant trade-offs, risks and implications associated with initiatives that have been significantly scaled back or omitted from this package.
5. You have also received advice on the Treasury's recommendation on Track 1 initiatives (T2017/547 refers). We recommend funding those initiatives that met the three criteria: case for change, value-for-money and implementation and effectiveness. However there are still choices for Ministers on how much to fund through Track 1.

Draft Track 2 Social Sector Package for the Education Sector

6. The following table provides a breakdown from Budgets 2014 to 2016 for Vote Education and excludes tagged contingencies.

Table 1: Breakdown from Budgets 2014 to 2016 for Vote Education

\$m	Annual average operating	Total capital	Comment
Budget 16	179 (100 forecast changes)	727	Capital includes \$329m for New Zealand Schools Public Private Partnership projects two and three.
Budget 15	95 (23 forecast changes)	243	Operating includes only MBU 2014, as MBU 2014 hit Budget 14 (prior to the transition to a calendar year approach for counting forecast changes at Budget 15).
Budget 14	145 (101 forecast changes)	445	Operating excludes Investing in Educational Success Package contingency (annual average of \$90m over four years). Capital includes \$175m insurance settlement for Christchurch Education Renewal Programme.

7. The draft package for the education sector is [33] and represents the minimum amount without making some difficult policy choices that reset the cost drivers in the system and/or impacting on service delivery. A full list of initiatives is attached in Annex 1.
8. Material cost pressures are evident across the system, including in departmental capacity, as the Ministry of Education (the Ministry) aims to deliver an ambitious reform programme and manage demand growth. Forecast changes (9538 and 9539) are the biggest component of the education package and are non-discretionary under current policy settings.

Forecast Changes

9. Vote Education has a number of volume-driven funding systems, whose appropriations are subject to forecast changes in response to demand growth.
10. Volume-driven cost pressures are treated differently across the Votes within the social sector. The demand-driven forecast changes in Vote Education for school operations, teachers' salaries, early childhood education (ECE), and school transport are managed through the baseline update process and are counted against Budget operating allowances.
11. The forecast changes included in Budget 2017 come to an [33] draft package for Vote Education.
12. Forecast changes in Vote Education include changes in the average unit price in ECE and schooling. These are formula-driven and non-discretionary, as opposed to the discretionary price adjustments made through the Budget. These non-discretionary price changes can be both positive and negative, and are driven by three factors:
 - a Changes in the composition of school rolls. This changes the average price because different year groups are funded at different rates.
 - b Changes in the composition of the workforce. As teachers are paid according to their level of experience, the cost of teacher salaries increase as teachers' progress through the pay scale.
 - c Changes in parental choice of ECE service type. This causes average prices to change because different service types receive different subsidy rates.

13. At the March Baseline Update (MBU) 2016, average pay rates for teachers' salaries were adjusted for the 2015/16 year, to account for movement in actual expenditure compared to forecast. An adjustment was also made to reflect the fact that average prices in ECE had declined, primarily as a result of the increase in demand for home-based services which have lower rates than centre-based services.
14. At the October Baseline Update (OBU) 2016, adjustments were made to reflect the fact that: forecast average pay rates for teachers' salaries declined over the forecast period based on more robust data coming out of the Education Payroll system, and average prices in ECE had risen as a result of an increase in the proportion of families opting for centre-based care rather than home-based care.
15. The Minister of Education (the Minister) may raise the treatment of forecast changes and how this can 'crowd out' other initiatives across the education system. We consider that the current approach for counting Vote Education forecast changes gives Ministers transparency and scrutiny over the costs of current policy settings.
16. A full breakdown of forecast changes at MBU 2016 and OBU 2016 is included in Annex 2.

Departmental Capacity

17. As indicated above, the Ministry is experiencing cost pressures across the system. This is reflected in the number of initiatives submitted. We have suggested some funding for departmental cost pressures (9547 and 9549), in view of current capacity constraints. However, as the Ministry has yet to develop a clear operating model for its future role, we propose scaled and time-limited funding at this time.
18. The **Supporting Infrastructure Delivery (9547)** initiative would essentially maintain current funding levels as the funding received in Budget 2016 was only for one year. Treasury is recommending funding be maintained for two years (**an average of \$4m per annum**) to allow the Ministry time to develop their future operating model to reflect a changing role of the Ministry in a reformed education system. The Minister has asked the Ministry to undertake this work and to provide her with advice on the options relating to its future roles, and required skills and capabilities over the medium to longer-term, to inform any future Government investments in the Ministry.
19. [33]
20. The **Strengthening Frontline Service Delivery (9549)** initiative in the draft package would provide funding (**average \$2.44m per annum**) for areas where there are some potential service risks [34] new functions as a result of legislative change or to maintain current service levels (Youth Guarantee regional interface). [33]

21. The draft package for **Investing in Information and Communication Technology (ICT)** [33] only includes funding for the server replacement component (**average \$0.656m per annum**) as the minimum required by the Ministry. [33]

Other Initiatives

22. The remainder of the draft package is solely addressing cost pressures across the system and does not include any new policy initiatives (although there are some expansions of current programmes).
23. One expansion bid is the **Māori Language in Education Curriculum Resources (9534)**. This is seeking to update the current outdated resources available for teaching Te Reo and has been scaled from the original funding sought and from the Vote Team's recommendation (scaled to an **average of \$1.910m**). [34]

[38]

[33]

[33] [37]

Capital Package for Vote Education

27. In addition to the social sector package, the Minister has put forward a significant bid for the School Property Growth Package capital initiative. The full package would require ^[33] capital injection. The attached A3 (Annex 3) describes the full package from the business case, and three scaling options. The 'impact statement' section of the A3 outlines risks associated with the 'Treasury minimum option' of \$222.10m included in the draft capital package. You may wish to share this A3 with the Minister as a basis for discussion at the bilateral.
28. We recently provided you with separate, more detailed advice, on the School Property Growth Package (T2017/515 refers). This provides some advice about recent movements in capital injections between years.
29. At a meeting on the draft capital package on 10 March 2017, you asked for more information about the profile of the Ministry's baseline and injection spending. Figures 1 and 2 describe the profile of baseline and injection spending managed by schools and by the Ministry.

Figure 1: Baseline and injection funded capital expenditure

[33]

30. The baseline categories represent capital expenditure for substantial maintenance (school led), and more significant remediation and redevelopment projects (Ministry led). The funded baseline line includes retained gains on sales of land. ^[33]
31. Capital injection funded projects represent expansionary builds (new schools, kura, and roll growth classrooms, as well as non-teaching space). Sites for new schools are funded from baselines and reimbursed by capital injection. Figure 2 show the gap between planned and funded expansionary spending.

Figure 2: Capital injection spending

[33]

Initiatives the Minister of Education is Likely to Raise

32. The Minister and Associate Minister of Education are likely to raise the following initiatives with you as her priority areas for funding (over and above the funding discussed above).
33. **Early Childhood Education Targeted Funding for Disadvantage (9531, average [33] per annum)**. This initiative is not included in the draft package and we would suggest it be included if there was additional headroom in the allowances. This initiative would provide additional targeted funding for children considered most at risk of poor education achievement, rather than an across the board adjustment. It is our view that this initiative takes a key step toward smarter targeting of ECE funding for disadvantage (improving on the centre decile-based allocation for equity funding). The implementation plan includes feedback loops that could inform further targeting. ECE has not received a targeted price adjustment since 2014, or a universal adjustment since 2008. Declining margins in the sector suggest that providers have been absorbing price increases as well as passing costs onto parents. In centres with a higher proportion of low income families (where ability to pay is constrained), there is a risk of quality decline without the additional funding. Evidence from the Education Review Office suggests there is variable quality in the sector. The amount of targeted funding could be scaled to fit within allowances, with the funding being more narrowly targeted.
34. The Minister will likely also raise the **Operational Grant Funding Increase for Schools (9532, average [33] per annum)**. There was not an overall adjustment to the operations grant funding for schools at Budget 2016 and this has put pressure on school budgets in the face of raising costs. The Minister is seeking a [33] percent universal adjustment and a four percent adjustment to the targeted component of the operations grant. This initiative was also discussed at the previous bilateral in which you sought assurances from the Minister that there was a need for additional funding for schools operational grant funding. The Treasury's recommendation is to have a 1.3 percent universal adjustment in line with CPI and retain the four percent targeted component (average \$15.129m). However, this could be set at any amount to fit within allowances.

35. The Minister may raise the following initiatives, which we consider are either not investment ready or represent low value for money:

[33]

Priority Areas for Funding

36. If there was additional headroom in the allowances we would suggest adding or scaling up the following items (in order of priority):
- a **Early Childhood Education Targeted Funding for Disadvantage (9531)**. As discussed in paragraph 33 above, this initiative would provide additional targeted funding for children considered most at risk of poor education achievement, rather than an across the board adjustment. It is our view that this initiative takes a key step toward smarter targeting of ECE funding for disadvantage. We would recommend funding the full amount sought (an **average of** [33] **per annum**), but this could be scaled to fit within allowances.

- b **Operational grant funding for schools (9532)**. As discussed in paragraph 34 above, there was not an overall adjustment to the operations grant funding for schools at Budget 2016 and this has put pressure on school budgets in the face of raising costs. We would recommend a scaled amount of an **average of \$15.129m** per annum which would comprise a 1.3 percent universal adjustment in line with CPI and retain the four percent targeted component. This could be further scaled to fit within allowances.
- c **Investing in ICT** ^[33] **(9550)**. As discussed above, the funding included in the draft package represents the minimum investment required by the Ministry and does not represent the best value for money option. At the social sector package discussion on 3 March 2017 you asked us to provide you with further detail and options for scaling this initiative. ^[33]
- d **New Zealand's Participation in the OECD International Early Learning Study (9525)**. This study is a comparative study of early learning policies and practices which is designed to provide data on the influence of early learning services on children's learning and development outcomes (**average \$0.662m per annum**). This is a strategically important piece of work which will fill a current gap in our understanding of the impact of ECE provision in the New Zealand context and will support future social investment decisions. The Ministry have indicated it is unlikely they will be able to fund this study from savings. As certainty is needed before May 2017 to commit to, and secure a place in, the study, we see it as a relatively low cost but priority area for investment.
- e ^[33]
- f **Māori Language in Education Curriculum Resources (9534)**. The current resources are out of date which may be affecting the delivery of the curriculum. We would recommend the full amount (would add an **average of** ^[33] **per annum** taking the **total to an average** ^[33] **per annum**) but this could be scaled to fit within allowances.

Track 1 Initiatives

37. The Minister of Education has submitted [33] Track 1 bids for consideration. These have an average cost of [33] per annum. Treasury is recommending Budget Ministers consider funding [33] initiative in full and [33] at a scaled amount, a total investment averaging [33] per annum. Attached in Annex 5 is a list of the Track 1 bids for Vote Education along with the Treasury assessment. We recommend you pass this summary on to the Minister of Education ahead of the bilateral discussion. Each of the initiatives are discussed below.
38. We recommend that **Removing Barriers to Children's Access to the Curriculum Through Improving Oral Language (9855)** be considered for funding through Track 1 at an **average annual cost of \$1.505m**, subject to the provision of a sufficient and robust evaluation plan. This initiative will provide targeted and specialist support to three and four year olds with literacy difficulties, by trialling a new approach to oral language development through lifting capability in ECE centres. Effective early interventions are likely to provide the best chance of improved long-term trajectories for children at risk of poor outcomes, with oral language being a key skill to support broader development. There is good evidence that oral language is linked to other skills known to be important to long-term outcomes such as self-regulation and self-control. The targeting is defined with reference to evidence about groups at risk of poor outcomes. The implementation plan includes building on insights from evaluation. These factors provide a strong alignment with social investment.
39. We recommend partial funding for **Incredible Year for Children with High Needs (9846)**. The *helping preschool children with autism – teachers and parents as partners* component of this initiative is appropriate for consideration as a Track 1 initiative at an **average cost of \$1.047m** (total sought was an average of [33] per annum) subject to the provision of a sufficient and robust evaluation plan. This initiative would develop a programme for parents and teachers of children aged 2-5 that are on the autism spectrum to improve the child's social communication, reduce their repetitive behaviours and increase their emotional regulation. This programme has been trialled overseas and has good international evidence of effectiveness. [33]
40. We recommend partially funding the **Expanding and Targeting Behavioural Services (9848)** initiative and suggest a total of \$34.68m (an **average of \$8.67m per annum**) be held in contingency for the expansion of the current behavioural services, subject to the provision of further evidence behind the case for change and further development of the evaluation plan. These services improve self-control and enable children with behavioural difficulties to engage in education thereby lifting their achievement. [33]

[34]

Therefore we suggest an increase of 1,000 children.

41. [33]

42.

43. You have received separate advice on the Budget 2017 Track 1 process and next steps (T2017/547 refers). If the Minister of Education questions the Track 1 assessment we recommend you emphasise the following points:
- a Track 1 was always intended to be a high bar for social investment initiatives with more rigorous expectations around evidence, impact and evaluation compared to the Track 2 process. There are likely to be initiatives in Track 2 which provide less evidence and still receive funding due to the cost pressure nature of the initiative.
 - b We would expect that the learnings and practices developed through Track 1 are applied more widely across the Budget process in future years. Developing a strong investment case which is high value for money and can be evaluated is a standard expectation, and should not be exclusive for Track 1 proposals.
 - c The Treasury ran a bottom-up moderation process following the Social Investment Panel which went through each initiative to determine whether or not it met the threshold across each of the following three elements: case for change, value-for-money and implementation and effectiveness. This went wider than the consideration of the Panel.
 - d The fiscal implications and impact on allowances was not a factor in the assessment, although it was always clear that the “uncapped” nature of the process was still subject to the Government’s fiscal strategy. Where initiatives have been scaled this reflects the Treasury’s assessment on the ability of the agency to implement the initiative or the bundling of multiple components within one bid.
 - e The investment threshold is a new and untested tool and provided an opportunity to reward those agencies who demonstrated they can take a social investment approach. Learnings from Budget 2017 will be used to inform and set expectations for future Budgets.

[40]

[40]

52. As part of this Budget there are a serval initiatives which are aimed at supporting those students with learning support needs: Responding to Learning Support Cost Pressures (9543), which has been included in the draft social sector package, and the Track 1 initiatives that Treasury is recommending for investment around students with autism (9846) and expanding behavioural services (9848). If both of Treasury's recommendations are accepted for Track 1 Budget 2017 would increase investment in learning support by an average of \$10.44m.

Annex 1 – The draft social sector package for Vote Education and Vote Education Review Office

EDUCATION: SUMMARY			Agency bid					Draft package								
OPERATING EXPENDITURE			2016/17	2017/18	2018/19	2019/20	2020/21	Annual avg.	2016/17	2017/18	2018/19	2019/20	2020/21	Annual avg.		
Education	Cost pressures		[33]					87.5	181.7	205.8	203.4	247.4	231.4			
	New initiatives							0.6	14.5	15.2	4.9	1.9	9.3			
	Capex-related opex							-	10.4	18.1	22.4	34.2	21.3			
	Total							[33]								
All social sector	Cost pressures															
	New initiatives															
	Capex-related opex															
	Total															
	[33]															
	Social sector pre-committment															
	Net total															
CAPITAL EXPENDITURE			2016/17	2017/18	2018/19	2019/20	2020/21	Total capex	2016/17	2017/18	2018/19	2019/20	2020/21	Total capex		
Education			[33]						-	80.6	91.2	54.0	-	225.8		
All social sector									[33]							

OPERATING EXPENDITURE			Agency bid					Draft package					Comments			
No.	Vote	Bid name	2016/17	2017/18	2018/19	2019/20	2020/21	Annual avg.	2016/17	2017/18	2018/19	2019/20	2020/21	Annual avg.		
COST PRESSURES																
9615	ERO	Education evaluation – investing for accountability and improvement	-	[33]					-	0.827	1.092	1.357	2.180	1.364	Wage & volumes. [33]	
9531	Education	Early Childhood Education: Targeted Funding for Disadvantage	-						[33]							
9532	Education	Operational Grant Funding Increase for Schools	-												Discretionary (and mostly not targeted).	
9538	Education	March Baseline Update Forecast Changes 2016	23.196	83.519	109.433	138.367	138.367	123.221	23.196	83.519	109.433	138.367	138.367	123.221	Non-discretionary under current settings.	
9539	Education	October Baseline Update Forecast Changes 2016	61.758	70.338	66.095	59.006	102.061	89.815	61.758	70.338	66.095	59.006	102.061	89.815	Non-discretionary under current settings.	
[38]																
9542	Education	English for Speakers of Other Languages (ESOL) - Increasing Funding	-	[38]					-	3.603	5.756	-	-	2.340	Desirable, but discretionary.	
9543	Education	Responding to Learning Support Cost Pressures	-	0.571	0.697	0.773	0.849	0.723	-	0.571	0.697	0.773	0.849	0.723	Desirable, but discretionary.	
9544	Education	Kura Kaupapa Maori Management Support	-	0.070	0.532	0.532	0.532	0.417	-	0.070	0.532	0.532	0.532	0.417	Desirable. Baseline funded since 2013	
9545	Education	Supporting Schools At-risk - Additional Funding	-	[33]					-	0.600	0.600	-	-	0.300	Demand (and some price) pressure.	
9547	Education	Supporting Infrastructure Delivery	-						-	8.000	8.000	-	-	4.000	Dept. pressure. Maintain B16 funding for 2 years.	
9549	Education	Strengthening Frontline Service Delivery to Support Student Achievement	-						-	4.632	5.186	-	-	2.455	Departmental pressure. Scaled by Vote team.	
9550	Education	Departmental Capacity – Investing in Information and Communications Technology (ICT) [33]	-						-	0.396	[33]	0.810	[33]		Departmental pressure. Funds servers only.	
9671	Education	Schools Payroll - Holidays Act Project	[33]													
9759	Education	[38]														
		Total: Cost pressures	[33]													
NEW INITIATIVES																
[33]																
9526	Education	In-class Support for Students with High Learning Needs –Increasing Access	-	2.188	4.443	4.443	4.443	3.879	-	-	-	-	-	-	Need info on effectiveness of current spend.	
[33]																
9533	Education	Ongoing Funding for Employment-based Initial Teacher Education	-	[33]					-	-	-	-	-	-	Defer. Not ready.	
9534	Education	Maori Language in Education Curriculum Resources	-						-	1.910	1.910	1.910	1.910	1.910	Scaled. Treaty obligation to maintain language.	
9535	Education	Integrated School Property Funding	-						-	10.000	10.000	-	-	5.000	[33]	
[33]																
9537	Education	[33]	-	[33]					-	2.000	3.000	3.000	-	2.000	Transfer of existing function. Scale.	
9546	Education	Schools' Payroll Sustainability Investment	-						-	-	-	-	-	-	Defer.	
9551	Education	Earthquake (November 2016) - Education Recovery and Response	0.645	0.570	0.240	-	-	0.364	0.645	0.570	0.240	-	-	0.364	Opex is scalable.	
		Total: New initiatives	[33]													
CAPEX-RELATED OPEX																
9548	Education	Schools Growth Package	[33]												Opex is scalable.	
		Total: capex-related opex	[33]													
		TOTAL: OPEX														
CAPITAL EXPENDITURE			Agency bid					Draft package					Comments			
No.	Vote	Bid name	2016/17	2017/18	2018/19	2019/20	2020/21	Total capex	2016/17	2017/18	2018/19	2019/20	2020/21	Total capex		
9548	Education	Schools Growth Package	-	[33]					-						Roll growth, land already purchased, 1 new school.	
		TOTAL: CAPEX	-	[33]					-							

Annex 2 – March Baseline Update and October Baseline Update 2016.

March Baseline Update 2016

Table 2: Teacher Salaries

GST Exclusive \$000	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Recent actual data	(8,689)	(159)	(159)	(159)	(159)
Full Time Teacher Equivalents	14,399	13,592	21,402	36,815	51,630
Rates adjustment	10,631	-	-	-	-
Term dates	39,373	(39,373)	-	-	-
Operating Impact	55,714	(25,940)	21,243	36,656	51,471

Table 3: Early Childhood Education

GST Exclusive \$000	2015/16	2016/17	2017/18	2018/19	2019/20 & Outyears
Volume Growth	27,969	52,470	67,180	78,499	93,379
Average Prices	(7,359)	(4,804)	(6,751)	(7,872)	(9,039)
Other ¹	12,668	1,470	1,847	2,150	2,556
Operating Impact	33,278	49,136	62,276	72,777	86,896

Table 4: Total MBU 2016 operating impact

GST Exclusive \$000	2015/16	2016/17	2017/18	2018/19	2019/20
Teachers salaries	55,714	(25,940)	21,243	36,656	51,471
ECE	33,278	49,136	62,276	72,777	86,896
Operating Impact	88,992	23,196	83,519	109,433	138,367

October Baseline Update 2016

Table 5: School operations

GST Exclusive \$000	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears
Rolls	13,010	27,968	24,910	27,158	27,158
Boards of Trustees elections	-	-	-	-	760
Operating Impact	13,010	27,968	24,910	27,158	27,918

¹ 'Other' captures growth in eligibility for equity funding for services in low-socioeconomic areas, or with children with special needs or from non-English speaking backgrounds.

Table 6: Teachers' salaries forecast changes

GST Exclusive \$000	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears
Full Time Teacher Equivalents	4,794	46,873	55,023	82,851	101,879
Average pay rates	(26,746)	(27,545)	(24,827)	(46,467)	(44,466)
Superannuation Subsidies	3,006	3,333	3,673	3,920	3,905
Recent Actual data	1,799	-	-	-	-
ACC Levies	(2,513)	(2,539)	(2,516)	(2,649)	(2,565)
Other	43,249	-	-	-	-
Term Date	-	-	39,543	(39,543)	77,313
Total forecast changes	23,589	20,122	70,896	(1,888)	136,066
Operating Impact (excl. 'Term Date')	23,589	20,122	31,353	37,655	58,753

Table 7: Early Childhood Education

GST Exclusive \$000	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears
Volume Growth	5,622	8,966	(7,635)	(25,417)	(5,935)
Average Prices	6,577	12,153	16,678	19,251	20,349
Other	960	1,129	789	359	976
Provision for wash-up	12,000	-	-	-	-
Operating Impact	25,159	22,248	9,832	(5,807)	15,390

Table 8: Total OBU 2016 operating impact

GST Exclusive \$000	2016/17	2017/18	2018/19	2019/20	2020/21
School operations	13,010	27,968	24,910	27,158	27,918
Teachers' salaries	23,589	20,122	31,353	37,655	58,753
ECE	25,159	22,248	9,832	(5,807)	15,390
Operating Impact	61,758	70,338	66,095	59,006	102,061

Vote Education MBU & OBU changes operating impact

Table 9: MBU & OBU operating impact

Forecast Changes: \$000	15/16	16/17	17/18	18/19	19/20	20/21
March Baseline Update 2016	88,992	23,196	83,519	109,433	138,367	138,367
October Baseline Update 2016		61,758	70,338	66,095	59,006	102,061
Net impact of MBU and OBU 2016 on Budget 2017			767,186			
Reflected in HYEFU 2015/16 forecasts and had a direct impact on OBEGAL 2015/16.	Reflected in BEFU 2015/16 forecasts and have a direct impact on OBEGAL 2016/17.		Reflected in HYEFU 2016/17 forecasts and will have a direct impact on OBEGAL 2016/17.		The net impact of these changes is charged against Budget 2017 operating allowance.	

[40]

Annex 5 – Vote Education Track 1 Initiatives

Agency/ Sector	Initiative name	Agency initiative (net)					Avg.	Treasury Assessment					Avg.	Treasury comment/ recommendation	Social investment Panel comment	Initiative Description	Threshold Assessment		
		2016 /17	2017/1 8	2018/1 9	2019/2 0	2020/2 1		2016 /17	2017/1 8	2018/1 9	2019/2 0	2020/2 1					CFC	VFM	I & E
Education	Incredible Years – expanding programmes to meet specific needs	-	[33]				-	0.68	1.11	1.31	1.09	1.048	Only Autism component meets investment threshold. [33]	Evaluation say this programme is effective. SIP raised concerns that they need to maintain programme fidelity if they expand.	This funding will allow for Incredible Years programmes [33]	3	3	3	
Education	Early Identification and Removal of Communication Barriers to the Curriculum	-	1.132	1.685	1.685	1.518	1.505	-	1.132	1.685	1.685	1.518	1.505	Meets investment threshold.	The SIP were pleased that MoE were not trying to overachieve or oversell the impacts of the initiative. Need to understand the cumulative impact of all the education initiatives. The SIP raised a question around workforce - there might be issues in the long-term if there isn't a clear process around training and certification of therapists.	This funding will enhance system capability in early childhood education centres. It will provide targeted and specialist support to three and four year olds with oral language needs, who are at risk for literacy difficulties, by trialling a new approach to oral language development.	4	3	3

[33]

Education	Expanding and targeting behaviour services	-	[33]	-	5.790	10.130	9.380	9.380	8.670	Partially meets investment threshold, scaled in contingency. Some concerns about the target population selection, why the intervention was chosen ahead of alternatives and implementation. Establish a contingency for the population cohort of children aged 0-8, subject to further information provided on the evidence behind case for change and full evaluation plan.	The SIP saw merit in this proposal but noted Education should look at internship programme to increase supply of psychologists. Cohort one seems like a demand pressure bid? A better understanding of the underlying behavioural problems is important. Also need a better understanding of brain science which will help this kind of project.	This funding will provide earlier, effective behaviour services to children with behaviour difficulties to improve their self-control and return them to the pro-social pathway. This will improve their education and life outcomes, with education, justice, health and welfare savings. The two target cohorts are an additional 4,000 children age 0-8 per year and [33]	3	3	3	
	Total Funding	-	[33]	-	7.602	12.925	12.375	11.988	11.223							