

Reference: 20160175

27 June 2016



Thank you for your Official Information Act request, received on 27 May 2016. You requested the following:

1. *“A copy of any presentations, briefings, reports and aide memoires that discuss pressures in Vote Education since June 2015, its inclusion as part of social sector spending, and early funding signals for Vote Education in relation to Budget 2016;”*
2. *A copy of any presentations, briefings, reports and aide memoires that discuss the funding review of the education sector, since 1 October 2015;*
3. *All briefings, aide memoires, reports - for example summary documents (email correspondence included) sent to the Minister of Education’s office, the Minister of Finance’s office, or the Ministry of Education, regarding Vote Education operating expenditure for 2016/17 and forecast pressures in Vote Education in preparation for Budget 2016, since January 2015.”*

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	26 June 2015	Vote Education and Budget 16 slide pack	Release in part
2.	7 October 2015	Aide Memoire: Meeting with Minister of Education on funding review	Release in part
3.	2 March 2016	Treasury Report: Vote Education March Baseline Update – Early Childhood Education forecasts	Release in part

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including deceased people,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- names and contact details of junior officials and certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions, and
- confidential information, under section 9(2)(j) – to enable the Crown to negotiate without disadvantage or prejudice

Information Publicly Available

The following information is covered by your request and will be publicly available on the Treasury website in early July as part of the Budget 2016 and Education Funding System Review proactive information releases:

Item	Date	Document Description	Website Address
1.	20 November 2015	Aide Memoire: Managing baselines: update	http://www.treasury.govt.nz/publications/informationreleases/budget
2.	3 December 2015	Aide Memoire: Bilateral meetings on B16 cost pressures	
3.	7 December 2015	Aide Memoire: Bilateral Meeting on Vote Education Cost Pressures and Budget 2016	
4.	22 December 2016	Education Funding Review - Background Information	
5.	5 February 2016	Aide Memoire: Social Sector Budget Package	
6.	11 February 2016	Treasury Report: Vote Education Budget 2016	
7.	29 February 2016	Aide Memoire: Social sector Budget package for 8 March	
8.	29 February 2016	Aide Memoire: Vote Education Budget package - background analysis	

9.	9 March 2016	Aide Memoire: Briefing on Vote Education Baseline for meeting with Hon Hekia Parata and Hon Nikki Kaye	http://www.treasury.govt.nz/publications/informationreleases/budget
10.	9 March 2016	Annex One to T2016/363: Budget 2016 - Vote Education Bilateral	
11.	17 March 2016	Treasury Report: Vote Education Budget Bilateral	

Accordingly, I have declined your request for these documents under section 18(d) of the Official Information Act – the information requested is or will soon be publicly available.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Grace Campbell-Macdonald
Manager, Education & Skills

OIA 20160175 Information for Release

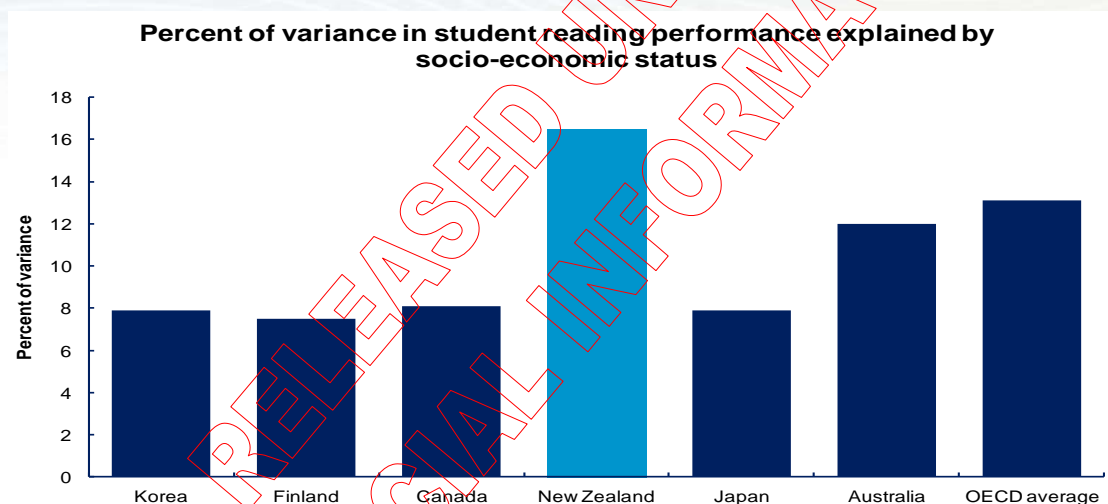
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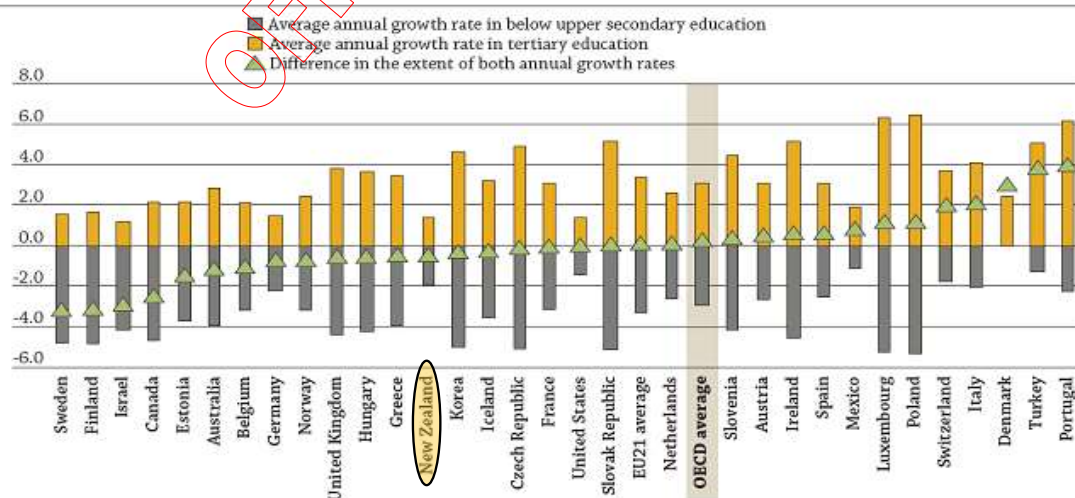
Vote Education and Budget 16

Our key focus is making the system better at leaning against disadvantage...



Source : PISA 2012 results volume II - OECD

Figure 2. Average annual growth rates in below upper secondary and tertiary education (2013)



Note: Countries are ranked in increasing order of the difference between tertiary and below upper secondary attainment growth rates.

Sources: OECD Online Education database, www.oecd.org/education/database.htm; OECD (2014), *Education at a Glance 2014: OECD Indicators*, <http://dx.doi.org/10.1787/eag-2014-en>.

New Zealand's education system is relatively high-performing but is one of the worst in the world for leaning against disadvantage, particularly for Māori. Māori ethnicity is a risk factor for non-achievement of NCEA2, over and above other socio-economic characteristics.

There are also concerns that our overall performance is dropping.

New Zealand PISA scores have declined both in absolute terms and relative to other countries. This decline has been apparent at all levels of performance.

The bottom chart highlights that we are not improving our skills mix at the rate of other countries – shown by our shorter bar. We are neither increasing our tertiary educated proportion, nor reducing our below upper secondary proportion as fast as most other OECD countries.

PISA scores are not inconsistent with increases in the proportion of students leaving school with NCEA2 when you take into account subject choice.

However, the overall average number of NCEA credits in science and English attained by 15-year old students has not increased since 2009 and has decreased significantly for mathematics. Students are not taking the 'core' subjects tested by PISA.

...which depends on a learner focus...

NCEA and PISA are where the problems become most visible, not where they start. The education system needs to get better at identifying learners at risk of not achieving – or not reaching potential – early....

Age:

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18

Five and six-year old children in low socio-economic schools start school with significant gaps in their vocabulary and expressive competency.

National Standards shows a decreasing trend in achievement against curriculum expectations as children progress through schooling.

Stand-down rates peak at ages 13-14 and exclusions peak at age 15. Schools stand down and suspend more Māori students than other ethnic groups.

In PISA, at age 15 there has been an accelerated decline in the achievement of NZ 15 year olds relative to previous cohorts.

Returns to '2nd chance' education are low and seldom change trajectories.

...highlighting the need for a learner-focused system...

...through budget and system changes:

A focus on getting it right first time:

Better use of data and evidence for early identification and intervention, whether support comes from inside or outside the education system. Strengthening the system to become better at "learning", so we learn about what works for whom and this drives policy and practice.

A focus on long-term outcomes:

Education providers should have a responsibility for the learner across the pipeline, particularly for their transition to and success at the next stage, and a shared responsibility for the system as a whole.

B16 as a lever: MoE engagement in cross-social sector reviews; schools engagement in local initiatives?

Education reform programme: Act review, funding reviews and communities of schools re-orientate education system.

...and education reform priorities can support this shift...

The implementation of communities of schools is altering the institutional landscape, and there are key choices as to how the model should evolve. The funding and act reviews provide two avenues to support a shift to a greater focus on the learner and use of data. A common priority across each of these strands is the focus on student-centred pathways.

Treasury's objectives for each of these reforms include:

Funding Review

- Funding decision rights sit at the level where capability and incentives to best make decisions.
- Resources can be directed to those students that need them.
- We evaluate the effectiveness of investments and resourcing decisions at all levels – and this informs policy and practice.
- Accountabilities for the effectiveness of resource use.
- Enables and doesn't create barriers to stronger networked providers focused on learner achievement.

Learner-centred pathways

- Shared responsibility for the learner across pipeline.
- Use of data monitors student progress across the pipeline, and informs approaches and decisions relating to transitions etc.
- Coherent curriculum pathways from early age through to secondary education. Need for good “choice architecture” at the senior secondary school, including when and how choices are presented and minimum skills settings. Academic and vocational pathways support the aspirations of the learner.
- Preference for programmes that are focused on lifting the performance of schools.

Act Review

- Reinforces learner achievement focus.
- Simplifies the Act so that it increases the flexibility for change to meet learner needs.
- Creates clear government goals and priorities.
- Clear statements of roles and responsibilities for all the key institutions which create:
 - responsibility for the learner across the pipeline, particularly for their future transition and success
 - shared responsibility for the system as a whole.

Community of Schools / Institutional Model

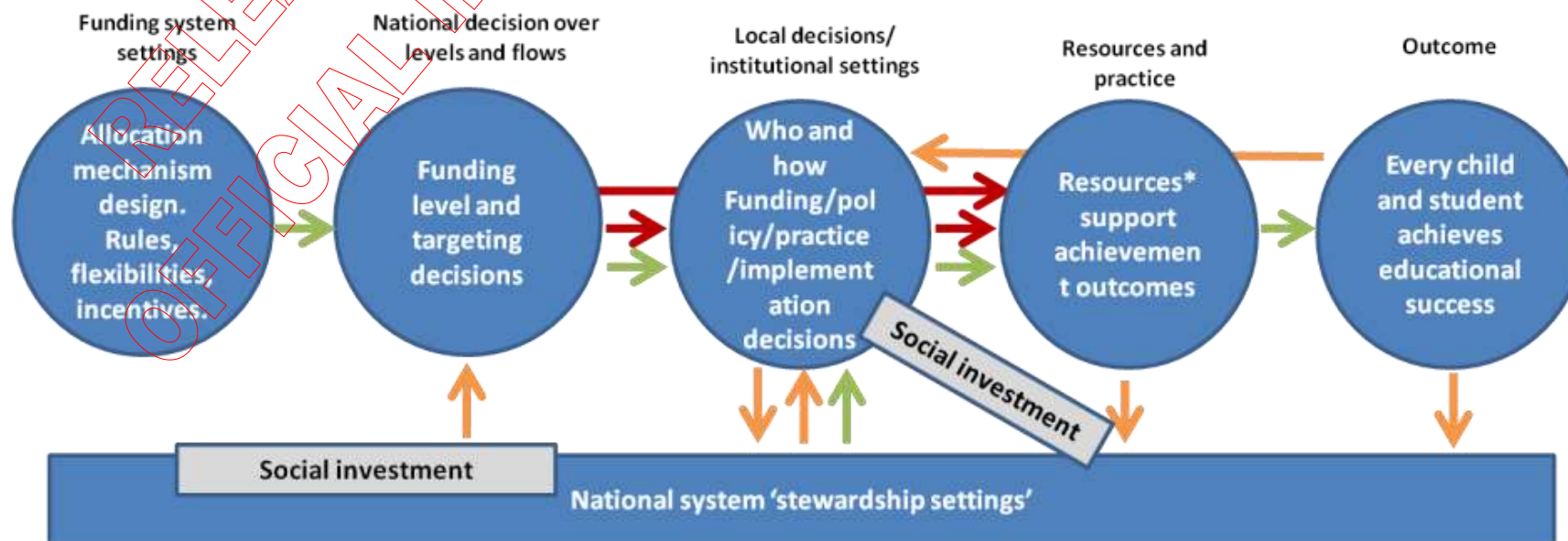
- Incentives in place for people to work together to focus on learner achievement.
- Enables new and better ways of working and using resources to deliver outcomes.
- Supports system learning & sharing of best practice.
- Supports cross-social sector working.
- Utilises and enhances professional capabilities.
- Data is shared and used, informs resourcing decisions, and drives continuous improvement.



...but it will be important to have a coherent strategy

A look at the funding system illustrates the dependencies with institutional settings and the Education Act. Thought also needs to be given to how the system settings align with social investment objectives at both the national and local level.

The diagram below sets out a conceptual framework for analysing the funding system. The funding system can be thought of as a series of flows and feedback loops. There are flows of: **Funding (direct, or through increased efficiencies)**; **Influence and impacts (requirements, incentives etc)**; and **Information and data**. Together these things impact on the stock of resources that impact on outcomes.

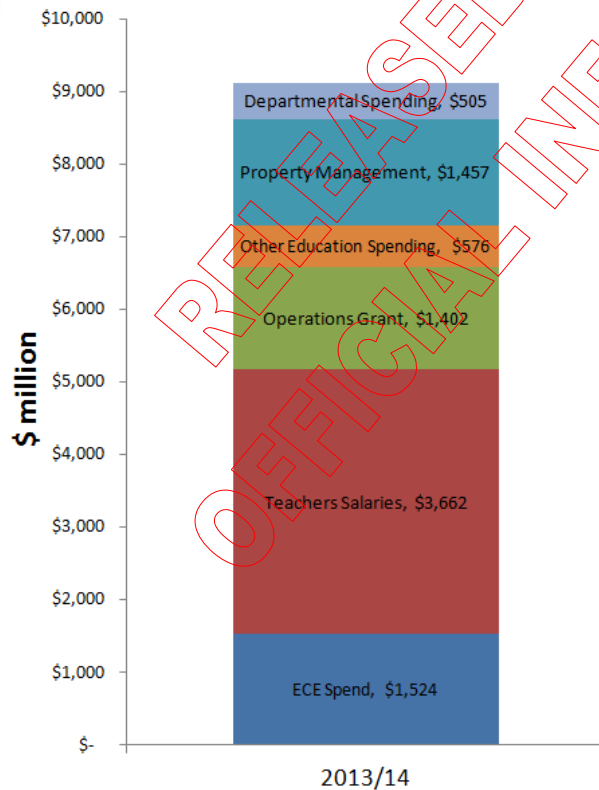


*Broad definition of "resource" is used here. This includes things like: school culture; leadership capabilities; professional capability; effective pedagogical practices; existence of effective learner pathways etc. As well as direct funding for interventions for students, etc.

Vote education is largely input based

Price and volume are the main cost drivers, but new policy has also put pressure on the vote...

2013/14 Education Spending



A large proportion of education expenditure is made up of large inputs (workforce costs, school operating costs and ECE funding). There are also a number of programmes and services funded through departmental and other spending.

Annual Movement in Cost Drivers: 2009/10 to 2016/17

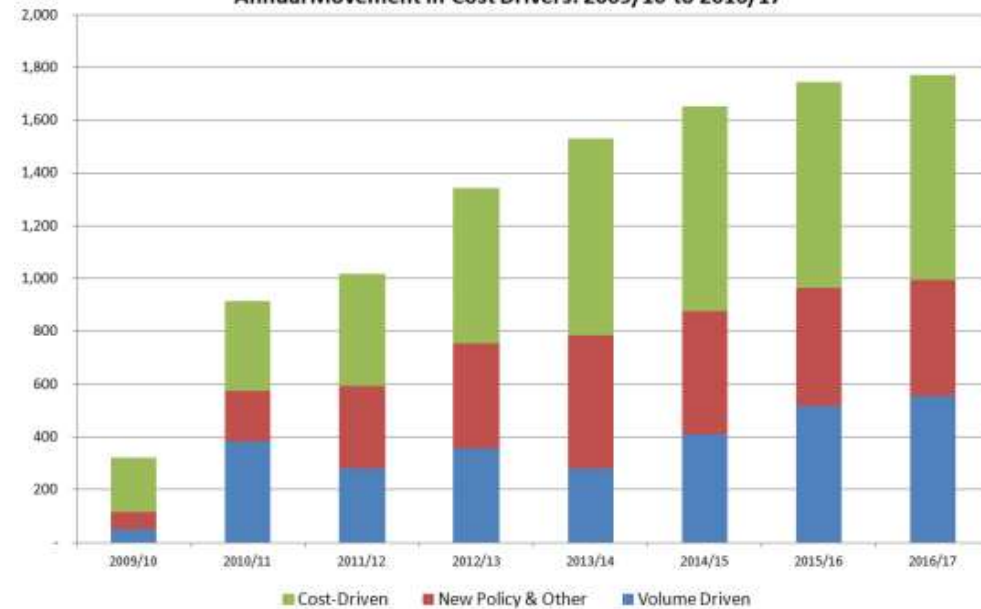


Chart reflects funding agreed up to Budget 14)

Over recent years price and volume drivers have together accounted for the majority of increases in total education spend. However, new policy decisions do also account for a significant cumulative total across budgets.

...which played out at Budget 15 and we will see a similar challenge at Budget 16...

s9(2)(j)

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Budget 15 was dominated by workforce costs. The other main cost drivers were forecast changes (primarily a mix of demand drivers: school transport, ECE and school student numbers, depreciation, property related, and changes to workforce composition); new school capacity and price pressures.

The ability to reduce demand pressures in the vote are dependent on the underlying policy settings. Budget does provide a lever to expose some of these choices.

Another issue is that the education funding structure provides limited flexibility to enable an achievement focus, and we don't have good information about how large components of the vote are used. We would like to increase the transparency around this spending.

Budget 16 likely pressures & issues

Capital pressures

- Some Auckland school funding was deferred from Budget 15. Other capital pressures include Christchurch re-build and strategic ICT initiatives.
- Unclear extent to which maintenance of existing school portfolio will become a future budget issue.

Operating cost pressures (demand, personal, price)

- Forecast changes. Because forecast changes can be sizeable, education are particularly interested in their treatment should be in or outside the budget allowance.
- Price pressures for school opex and ECE.
- Operating pressures related to new capital expenditure.

Social investment / new initiatives

- Social investment for key groups (e.g. Year 9 plus, youth).
- Unclear extent to which support for Communities of Schools will feature. A number of support bids were received through Budget 15.

How we are engaging with Education

We are engaging with the Ministry on these issues through the Budget 16 process, to work through issues early.

In addition we are assisting the Ministry with a review of their appropriation structure which should focus on increasing transparency of large areas of expenditure.

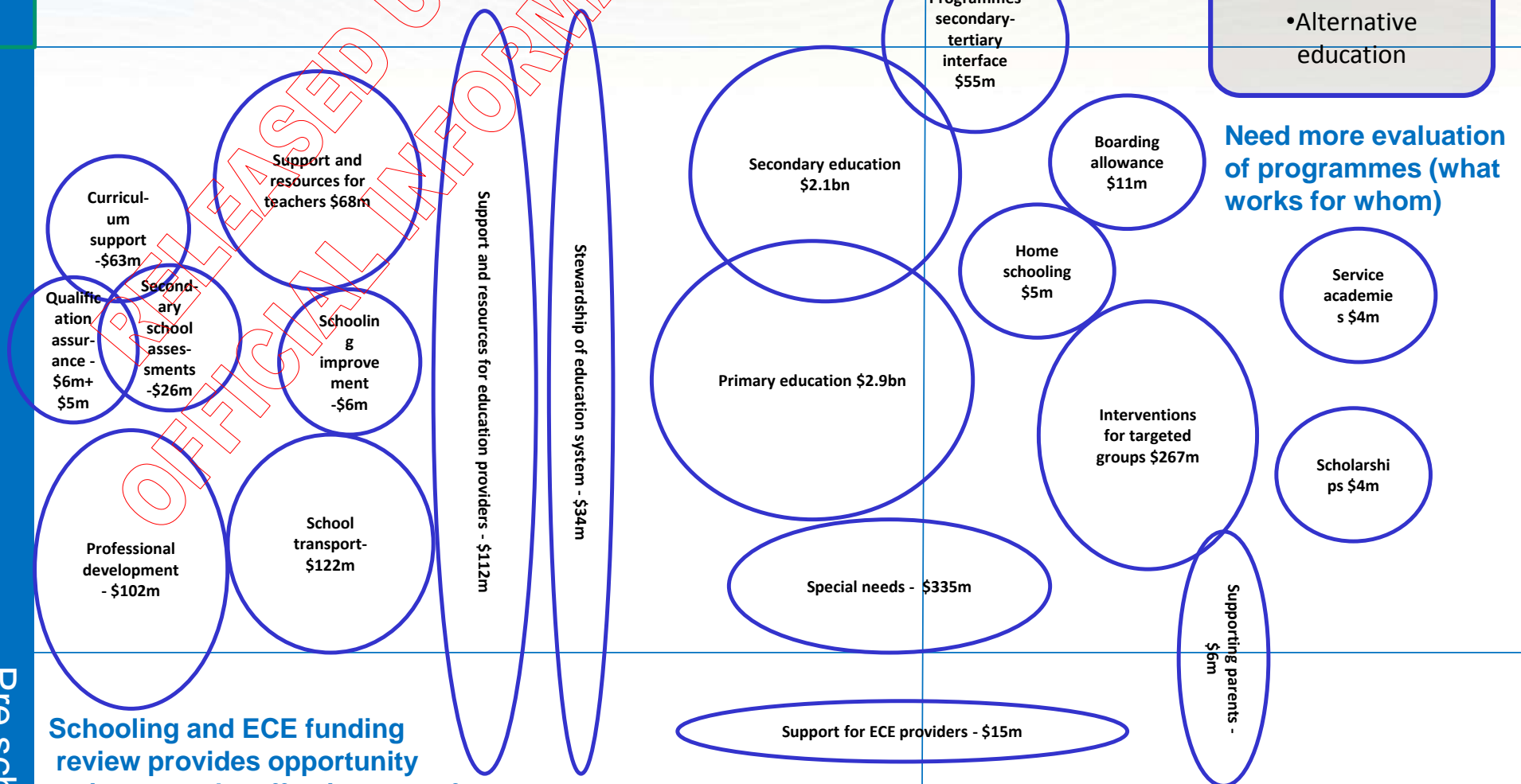
A population lens can bring a new way into the base

Youth

Youth spending review will enable assessment of impact of education spend and fit with other youth spend

- Youth courts
- Youth Guarantee
- Alternative education

Children / schooling



Need more evaluation of programmes (what works for whom)

Schooling and ECE funding review provides opportunity to increase the effectiveness of resources for disadvantaged students

CORE SPEND

TARGETED SPEND

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Reference: T2015/2359

SH-4-5-0

Date: 9 October 2015

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

Associate Minister of Finance
(Hon Paula Bennett)

Deadline: Monday 12th October

Aide Memoire: Meeting with Minister of Education on funding review

You are meeting with the Minister of Education on Monday 12th October at 2pm.

At this stage we have not received papers for this meeting but expect the Minister of Education will want to discuss two substantive issues:

- 1.) The proposed scope of the work programme for funding reform.
- 2.) The proposed approach to engage with the sector on funding reform.

Work programme update

In November 2014, Cabinet agreed to a review of funding for education for 0 to 18 year-olds. This was further discussed by the Cabinet Strategy Committee in July 2015, where the Minister of Education set out the following focus for the work programme:

- Shift from provider based funding towards student-centred funding.
- Reduce complexity, and improve coherence of funding.
- Better target funding to where it is most needed.
- Use funding as a mechanism for quality improvement.

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Since the Strategy discussion three stands of work have been progressed. These are:

<p>David Moore, Sapere Research Group ('Pricing a good kiwi education').</p>	<p>We understand that David has not developed a specific price to provide a good education, reflecting the difficulty in accurately deriving a production function for education services. We understand key aspects of his report include consideration of a:</p> <ul style="list-style-type: none"> • per child funding rate, • variable rate for disadvantage, • variable rate for different school years, and • a component for school size.
<p>Murray Jack – Funding model design.</p>	<p>We understand that Murray proposes an individual cashed-up funding model including teacher and operational resources. We understand the report also focuses on key dependencies and policy levers - including teaching quality.</p>
<p>Ministry of Education – funding for students at risk of poor outcomes; and other possible improvements to existing funding model.</p>	<p>The Ministry have identified a number of possible areas for reform:</p> <ul style="list-style-type: none"> • Different options to determine and identify risk/need. A more individualised approach will likely require the direct collection of information (such as parent education) from parents at the start of ECE/school. • Potential to review the balance of funding across the schooling pipeline. • Simplifying the existing operating grant and reviewing specific components of the grant (e.g. light and water). • Consideration of whether property funding could be separated out between funding for 'protection of Crown assets' and funding related to 'learning'.

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Issues to be discussed at the meeting

The Minister of Education may raise the following issues for discussion with you (ahead of reporting to the Prime Minister on the scope of the funding review):

- Agreement to build any funding reforms off the idea of developing a stronger focus on achievement and learner progression across the learning pipeline. It is unclear whether the focus is on better allocation of resources based on need or size of achievement challenge or being more responsive to performance.
- Seek agreement on specific reforms that could be advanced over the next 2-3 years. A key decision remains as to how narrowly or widely to define the scope in terms of the resources covered and scope for change to resource allocations.
- The approach for considering teaching resources as part of any funding review. We understand that the Minister of Education would like to consider how FTE funding allocations could be linked to learning need and progression.
- Sector engagement on funding reform. Our understanding is that the Minister of Education would like to engage the sector broadly on the overall strategic direction for funding reform (i.e. around strengthening the link to student progression and attainment). We understand that the Minister proposes to engage with the Cross-Sector Forum from November 2015, with more detailed sector wide consultation on specific proposals next year. You may wish to discuss the overall approach to sector engagement.

Treasury comment

Treasury's initial view on the work-stream and issues for discussion is set out below.

The main opportunities are:

- 1.) sharpening the focus on students at risk of poor outcomes;
- 2.) strengthening information feed-back loops to improve practice and effectiveness of expenditure; and
- 3.) greater transparency and incentives for efficiency.

Opportunities to support long-term outcomes through funding changes.

- *Strengthening the focus on students at risk of poor outcomes.* Linking the funding a school receives to individual student characteristics has potential to strengthen a school's focus on those student's outcomes.

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There are a series of policy issues that will need to be worked through:

- The data collection mechanisms needed to determine allocations?
- What changes to reporting and accountability are needed, and how these will align with proposed changes in the Education Act update?
- How might such an approach link to the wider institutional arrangements (e.g. achievement challenges under a Community of Learning)?
- Is the presumption that schools will have flexibility to use funding on the specific initiatives and students they choose, or will there be greater central control and if so how?
- How will this aspect of the funding system align with other areas of targeted funding schools receive (e.g. Special Education funding, second language funding, or programme spend)?
- *Increasing transparency* – We would be supportive of options to increase the transparency around the funding that schools of different sizes receive, to make more transparent the opportunity cost of maintaining the existing network.
- *Better targeting across the pipeline* – There is an opportunity to consider whether existing levels of resourcing across the pipeline are set at the right level or should be re-distributed. For example, secondary schools receive more funding than primary schools.

Strengthening the link between the funding system and student or school progression.

- *The specific case to link funding more strongly to progression needs analysis.* While we can see some advantages to more strongly linking the funding system to outcomes, the mechanisms to do this effectively are less clear. We would note that international evidence suggests that funding incentives or penalties in the schooling system can be ineffective. There could also be perverse incentives on schools if funding was adjusted to reflect an individual student's "learning need" at a particular point in time.
- *Scope to focus on building information and performance system independently of the funding system.* There are a number of areas where the existing information and performance system could be strengthened independently of looking at the funding system. For example, increasing information and data on student progression earlier on in the schooling pipe-line could help strengthen the profession's ability to learn and adapt its practice; or could give more tools to a Community of Learning to set and monitor progress against student achievement challenges. There is a case to focus on building the use of this type of information in the sector and at the Ministry's 'stewardship' level - before consideration of linking directly to the funding system.

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Distributional impacts and overall approach for managing potential fiscal costs

- *Proposed changes will involve winners and losers.* Reform to the decile funding system; re-targeting funding across the 0-18 pipeline; and looking at base funding for school size would all involve winners and losers. We do not currently have a good sense of the magnitude of these impacts, but are discussing potential modelling work with the Ministry.
- s9(2)(g)(i)
- *Need for overarching strategy across funding system reform.* Because different parts of the funding system are under review (school capital, decile funding, and overall school funding) there needs to be a clear decision-making process to ensure this work is aligned.
- s9(2)(f)(iv)

Opportunities to strengthen linkages to wider social sector outcomes work

- *Funding for most at risk students should be considered alongside wider social investment opportunities.* For example, there could be scope for a proportion of this funding to be considered as part of place-based initiatives to support more innovation and co-ordination (e.g. initiatives jointly focused on in school and out of school family factors). However, a number of issues would need to be considered including: decision-making rights; how much school principals and boards should be focused on in school versus out of school factors; and how a national funding system would practically connect up to local models.

Once we have seen the advice the Minister of Education has received from the three work-stream strands, we will be able to provide you with further advice.

Sam Tendeter, Senior Analyst, Education & Skills, 04 917 6972
Grace Campbell-Macdonald, Manager, Education & Skills, 04 917 6958

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Treasury Report: Vote Education March Baseline Update: Early Childhood Education forecasts

Date:	24 February 2016	Report No:	T2016/267
		File Number:	SH-4-4-4

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note the contents of this report	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Emily O'Connell	Senior Analyst	04 917 6067 (wk)	s9(2)(a)	✓
Grace Campbell-Macdonald	Manager	04 917 6958 (wk)		

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

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

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**Treasury Report: Vote Education March Baseline Update: Early
Childhood Education forecasts**

Executive Summary

You will shortly be receiving a March Baseline Update (MBU) letter from the Minister of Education that identifies an increase in forecast expenditure for Early Childhood Education (ECE) of \$335 million (or 3.8 percent) for the five-year period from 2015/16 to 2019/20. This forecast increase will impact on the operating allowance for Budget 2017. This is in addition to the significant increase to ECE forecasts at the October Baseline Update of \$373 million (a 4.4 percent increase at that time).

The forecast increases are mainly driven by volume growth totalling \$328.4 million over the forecast period. The impact of the volume growth is reduced due to a decrease in the average price of ECE services driven by higher than expected demand for home-based services which have lower rates than centre-based services.

The two main factors driving the volume growth are revised population projections (\$43.1 million) and demand growth (\$255.1 million).

The volume growth can also be broken down by subsidy type (approximate):

- 55 percent (or \$171 million) is associated with the *20 Hours ECE* policy
- 28 percent (or \$89 million) is associated with the subsidy for under 2 year olds, and
- 17 percent (or \$53 million) is associated with the subsidy for over 2 year olds.

s9(2)(g)(i)



We are currently analysing recent patterns of participation in ECE to gain insights into the extent to which the growth in expenditure is likely going towards those children with the most to gain. This report shares two early insights from this work:

- the majority of the volume growth is attributable to increased participation by Asian, Pasifika and Māori children, and
- the prior ECE participation rate has risen the most among children who go on to low decile schools, but total volume growth is evenly spread across decile groupings (which we are using as a proxy for socio-economic status).

This report also:

- responds to your query about the costing work that was done with the decision to strengthen the focus on increasing ECE participation, and
- provides an update on the Early Learning Information system.

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Recommended Action

We recommend that you **note** the contents of this report.

Grace Campbell-Macdonald
Manager, Education and Skills

Hon Bill English
Minister of Finance

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Treasury Report: Vote Education March Baseline Update: Early Childhood Education forecasts

Purpose of Report

- To provide analysis on the increases to Early Childhood Education (ECE) forecasts being submitted as part of the 2016 March Baseline Update (MBU) for Vote Education.

Analysis

Increases to Early Childhood Education forecasts for the March Baseline Update

- ECE forecasts for MBU 2016 have been increased again since the October Baseline Update (OBU) 2015 for all years in the forecast period, as follows:

Table 1: ECE expenditure forecast for MBU 2016 compared with OBU 2015 (\$ million, excluding GST)

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
OBU 2015	1,676.9	1,729.4	1,759.9	1,812.8	1,871.2	8,850.3
MBU 2016	1,710.2	1,778.6	1,826.3	1,895.5	1,974.6	9,173.1
\$ Difference	33.3	49.1	66.4	82.7	103.4	334.9
% Difference	2.0%	2.8%	3.8%	4.6%	5.5%	3.8%

Drivers of the forecast increases

- The forecast increases are mainly driven by volume growth totalling \$328.4 million over the forecast period. The impact of the volume growth is reduced due to a decrease in the average price of ECE services driven by higher than expected demand for home-based services which have lower rates than centre-based services.
- There are two main factors driving the volume growth:
 - Revised population projections (\$43.1 million)
The latest Statistics New Zealand (Stats) population estimates show the actual number of 0 to 4 year olds is even higher than the increased projection for the OBU forecast due to ongoing migration and a higher birth rate. Therefore, the MBU projections have been based on Stats' 75th percentile projection rather than the 50th percentile. The Ministry of Education (MoE) has provided good evidence to support this approach for the short-term (based on recent estimated actuals that are already exceeding the 75th percentile). The shift from the 50th to the 75th percentile accounts for approximately \$48 million¹ of total volume growth. We are in discussions with MoE about how best to accommodate this trend in the forecasts.

¹ This exceeds the \$43.1 million associated with the revised population projections as the population projections are also applied to the patterns of demand growth and so contribute to that component of volume growth as well.

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- Demand growth (\$255.1 million)
Demand-driven volume growth in 'funded child hours' continues to exceed expectations. This is particularly for Education & Care (centre-based care excluding Kindergarten and Kōhangā Reo) and home-based services. Both types of services have high numbers of new licenses continuing to be approved.
5. For home-based services, a large proportion of the new licences have been granted to services many of which operate with high funded child hours at weekends, so this may be addressing a need that has not been well-served in the past. By way of context though, home-based services make up a relatively small share of the market, accounting for approximately 10.5% of funded child hours and in terms of expenditure receiving only 7.4% of funding (due to lower funding rates than centre-based services).
 6. Although unemployment forecasts have worsened since OBU, this is not expected to have much impact on demand for ECE as recent patterns suggest parents who become unemployed are often continuing to enrol children in ECE services as the government subsidies mean they remain affordable.

Table 2: Breakdown of ECE forecast increases (\$ million, excluding GST)

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Volume Growth	28.0	52.5	65.0	81.3	101.7	328.4
Average Prices	-7.4	-4.8	-0.6	-1.0	-1.3	-15.1
Other	12.7	1.5	2.0	2.4	3.0	21.6
Operating Impact	33.3	49.1	66.4	82.7	103.4	334.9

7. The volume growth can also be broken down by subsidy type (approximate):
 - 55 percent (or \$171 million) is associated with the *20 Hours ECE* policy
 - 28 percent (or \$89 million) is associated with the subsidy for under 2 year olds
 - 17 percent (or \$53 million) is associated with the subsidy for over 2 year olds.

Table 3: ECE expenditure forecast – broken down by subsidy type (\$ million, excluding GST)

	2015/16	2016/17	2017/18	2018/19	2019/20	Total
ECE Funding Subsidy for under 2	4.5	13.7	19.2	23.9	27.7	89.0
<i>20 Hours ECE</i>	11.7	26.8	34.7	42.8	54.8	170.9
ECE Funding Subsidy for 2 and over	4.4	7.1	10.4	13.5	17.9	53.4
Equity Funding	0.6	1.4	1.9	2.4	3.0	9.3
GSF Employer Subsidy	0.1	0.1	0.1	0.1	0.1	0.3
Total	21.3	49.1	66.4	82.7	103.4	322.9

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8. We are broadly confident in the robustness of MoE's forecasting. MoE is establishing a cross-government forecasting panel which we are supportive of and will include a representative from the Treasury and Statistics New Zealand.

Costing work for the focus on increasing ECE participation

9. You asked at Fiscal Issues last week about the costing work that was done when the Government decided to strengthen its focus on lifting ECE participation. The Budget 2010 included a participation package (\$92 million over four years), which covered both programmes and the increased participation subsidy cost. When the Better Public Services ECE participation target was introduced, budget initiatives were put forward by MoE to address the cost of the estimated increase in participation, however, due to the lack of confidence about the likely impact on participation, it was agreed that increases in participation would be addressed through baseline updates.

10. s9(2)(g)(i)

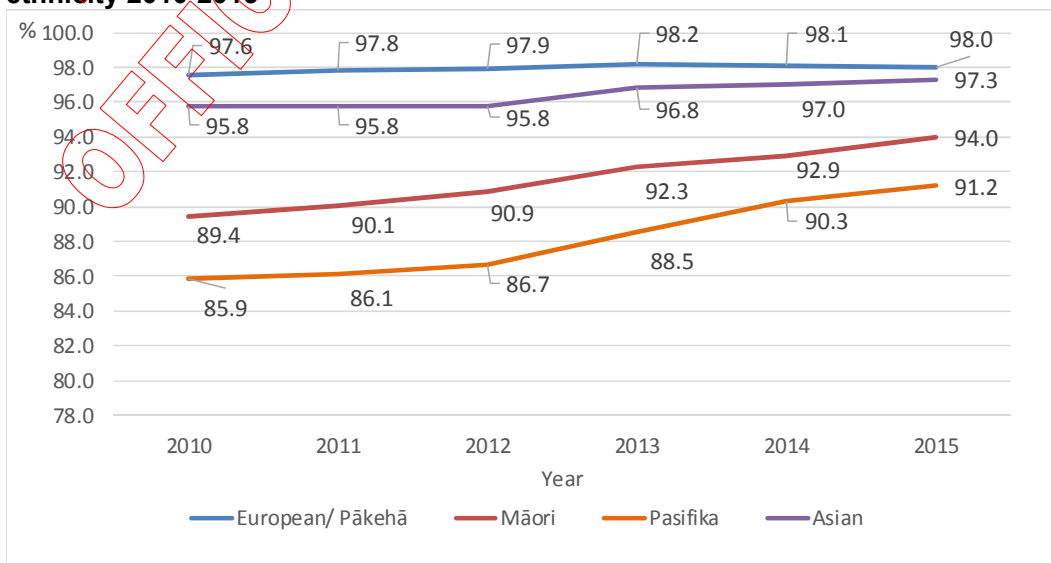
Analysis of patterns of recent increases in ECE participation

11. We are currently analysing recent patterns of participation in ECE to gain insights into the extent to which the growth in expenditure is likely going towards those children with the most to gain. Two insights to date are as follows:

Insight 1: The majority of the volume growth is attributable to increased participation by Asian, Pasifika and Māori children

12. As reported regularly for Better Public Services result 2, the rate of ECE participation prior to starting school between 2010 and 2015 has increased the most among Pasifika and Māori children with percentage point increases of 5.3 and 4.6 respectively.

Figure 1 - Percentage of students starting school with prior ECE attendance by ethnicity 2010-2015



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13. We looked at what this meant for the distribution of the volume growth by ethnicity, as a significant increase in the participation rate for a group does not necessarily translate into a significant impact on volume growth if they are coming off a low base. However, we found that the high rates of growth across Asian, Māori and Pasifika children combined outweighs the increase participation by European/Pākehā over this period. (However, note that as children can be identified as having more than one ethnicity, caution is required when comparing the enrolment growth between ethnicities).

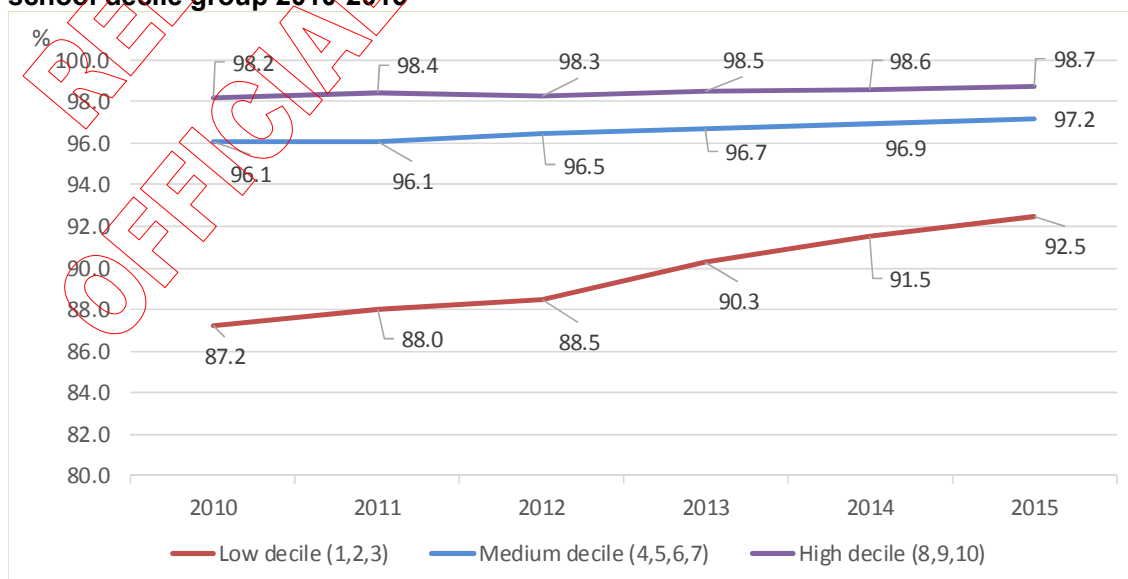
Table 4: Volume Growth in ECE attendance by ethnicity 2010-2015

Ethnic Group	Attendance 2010	Attendance 2015	Volume increase between 2010 and 2015	Volume growth from 2010
European/Pākehā	34,885	37,598	2,713	8%
Māori	12,639	14,896	2,257	18%
Pasifika	6,084	7,408	1,324	22%
Asian	5,254	6,844	1,590	30%
Other ethnic groups	1,214	1,522	308	25%

Insight 2: The prior ECE participation rate has risen the most among children who go on to low decile schools, but total volume growth is evenly spread across decile groupings (proxy for socio-economic status).

14. The ECE participation rate has increased the most for children who go on to attend low decile schools, which we are looking at as a proxy for socio-economic status. Prior ECE participation among children at schools in the lowest deciles (1 to 3) increased by 5.3 percentage points from 2010 to 2015 compared to 0.5 percentage points for children at the highest deciles (8 to 10).

Figure 2: Percentage of students starting school with prior ECE attendance by school decile group 2010-2015



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15. However, as there are higher volumes of children who go on to attend mid- and high-decile schools, the volume growth is evenly spread across low, mid and high decile schools.

Table 5: Volume growth in ECE by decile of school children go on to attend

School decile	Jun 2010	Jun 2015	Volume growth from 2010
Low decile: (1,2,3)	13,975	15,402	10%
Medium decile: (4,5,6,7)	18,961	21,244	12%
High decile: (8,9,10)	20,440	22,557	10%

Update on the Early Learning Information system

16. The next main milestones for the Early Learning Information (ELI) system that will enhance our ability to get better analysis and insights on ECE participation are as follows:
- The main ECE services yet to be connected to ELI are Playcentres and Kōhangā Reo (making up 20 percent of licensed ECE centres). Playcentres are now expected to be connected by the end of 2016. Discussions about getting Kōhangā Reo connected continue – no timeframes have been agreed at this stage.
 - ELI data is expected to be introduced into the Integrated Data Infrastructure (IDI) in mid-late 2016. MoE has been working through data quality issues that are expected to be resolved in the next four months.

Next Steps

17. s9(2)(g)(i)