

Treasury Report: Briefing on Suite of Fiscally Neutral Education Cabinet Papers

Date:	11 April 2008	Report No:	T2008/626
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Action Sought

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Minister of Finance (Hon Dr Michael Cullen)	Read before the Cabinet meeting at 10.30am on Monday 14 April.	10.30am on Monday 14 April.
Associate Minister of Finance (Hon Phil Goff)	Note	None
Associate Minister of Finance (Hon Trevor Mallard)	Note	None
Associate Minister of Finance (Hon Clayton Cosgrove)	Note	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Rowena Phair	Manager	<i>[deleted – privacy]</i>	✓
<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>			

Minister of Finance's Office Actions (if required)

None

Enclosure: No

Treasury Report: Briefing on Suite of Fiscally Neutral Education Cabinet Papers

Purpose

1. The Ministry of Education has prepared three Cabinet papers seeking to make fiscally neutral adjustments in Vote Education. We understand that these papers will be considered by the Cabinet Business Committee in the next week. This report provides you with a brief assessment of the merits of the proposed adjustments.

Analysis

2. The three papers are as follows:

Name of Paper	Summary Treasury Assessment
Budget 2008 – Families Young and Old Theme: Vote Education programmes funded from identified savings	Some of the initiatives either respond to critical pressures or represent high value. The majority of the initiatives, however, appear to be of lower value.
Vote Education: Fiscally Neutral Adjustments	The adjustments are either technical in nature or respond to critical demand pressures in the 2007/08 year.
Revised Costings for 2007/08 Ministry of Education Output Classes	The adjustments are technical in nature and represent a reallocation of costings, rather than changes to outputs delivered.

3. Further information about the details of these cabinet papers is provided in the appendices to this report.
4. In summary, Treasury considers that there is merit in the *Fiscally Neutral Adjustments* and *Revised Costings* papers. You may wish to discuss with Minister Carter, however, whether some of the funding in the *Budget 2008* paper could be redirected to offset other pressures in Vote Education or across the Families Young and Old theme.
[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Other Relevant Information

5. Treasury has shared the information in this briefing with officials from the Department of Prime Minister and Cabinet.

Recommended Action

We recommend that you:

Budget 2008 – Families Young and Old Theme: Vote Education Programmes funded from Identified Savings

- a **discuss** with Minister Carter at the Cabinet Business Committee meeting on Monday 14 April whether some of the funding in the paper could be redirected to offset other pressures in Vote Education [*deleted – confidentiality of advice*];

Vote Education: Fiscally Neutral Adjustments

- b **support** the recommendations in this paper; and

Revised Costings for 2007/08 Ministry of Education Output Classes

- c **support** the recommendations in this paper.

Rowena Phair

Manager, Children and their Families
for Secretary to the Treasury

Hon Dr Michael Cullen

Minister of Finance

Appendix 1: Budget 2008 – Families Young and Old theme: Vote Education programmes funded from identified savings

Initiative	Gross operating over forecast period \$m	Treasury assessment	Ministry assessment (text provided by Ministry of Education)
Initiatives Supported by Treasury			
Literacy and Numeracy in Secondary Schools	16.572	High value - will expand a successful programme that has led to documented improvements in student achievement.	Funding for this programme ends this financial year. The funding will allow continued roll out of this successful programme to 30 new schools.
Full-time Moderators for the National Certificate of Educational Achievement	2.720	Cabinet has directed the Ministry to fund this initiative through reprioritisation. This adjustment secures funding for 2008/09.	Cabinet agreed to increase the amount of internally assessed student work moderated to 10 percent from 2008. NZQA has employed 28 full-time and five part-time moderators to meet this requirement. Increased moderation is critical to building credibility of NCEA.
Non-Enrolled Truancy Service (NETS)	3.340	High value - will reduce student disengagement from schooling.	There has been a 150 percent increase in the identification of non-enrolled students. This will provide for increased capacity of NETS to locate and place these students in schools.
Cost Increases for Non-GSE Providers	14.194	Necessary to maintain service capability and quality in special education.	Without providing for cost increases from inflation and associated wages settlements providers would be forced to reduce services for some high and very high needs students.
Subtotal – initiatives supported by Tsy	36.826		
Other Initiatives			
Extra Therapy Support for Some High Needs Students	2.486	Low value – will maintain a situation in which funding is distributed inequitably among students with equal needs.	This will provide security of tenure for the 2009 school year for 36.4 Full-Time Equivalent (FTE) over-entitlement therapy positions to support some high needs students.
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Laptops for Teachers	2.250	Laptops will continue to be provided to most teachers if the initiative is not funded. The increase sought is unnecessary as current policy does not guarantee a laptop to all teachers who apply for one.	This increase covers the commitment made by government in Budget 2007 for an additional 3,212 laptops. This will ensure that all teachers eligible for laptops under the current policy receive them. This commitment is ongoing and will also be needed in the outyears.
Increasing Staffing in the Vision Education Sector	6.125	High caseloads in the vision education sector are problematic, but the sector could continue to manage for another year.	The extra positions will go some way to helping students who are blind and vision impaired, to make similar progress in their education as their sighted peers. Improved pupil:teacher ratio from the proposed addition of 15 more vision education specialist teachers is still below the international standards for best practice.

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Appendix 2: Vote Education: Fiscally Neutral Adjustments

Initiative	Gross operating over forecast period \$m	Treasury assessment
New Policy Initiatives		
Full-time Moderators for the National Certificate of Educational Achievement	1.610	Cabinet has directed the Ministry to fund this initiative through reprioritisation. This adjustment secures funding needed for 2007/08.
Subtotal – New Policy Initiatives	1.610	
Responding to Demand Pressures		
Ongoing and Reviewable Resourcing Schemes and Schools High Health Needs Fund	5.907	A transfer of underspends from school property depreciation funding to manage demand pressures in special education in 2007/08. FYO Ministers propose to set aside funding in Budget 2008 to manage these demand pressures in outyears.
Maori and Polynesian Higher Education Scholarships	0.292	A transfer of underspends from other scholarships to ensure that existing commitments to the Maori and Polynesian Higher Education Scholarships can be met.
Subtotal – Responding to Demand Pressures	6.199	
Technical Adjustments		
Extra Therapy Support for Some High Needs Students	0.150	A transfer of funding from non-departmental to departmental outputs to reflect the fact that the therapy will now be delivered by Ministry employees rather than school employees.
Residual Management Unit	1.724	A transfer of funding to reflect the transfer of an asset (valued at \$3.940m) from the Crown balance sheet in Vote Education to the Ministry's departmental balance sheet.
Enhanced Programme Fund	1.710	A transfer of funding from the fund to continue the employment of Fund Advisors (whose positions were created by a previous such transfer in 2004).
Subtotal – Technical Adjustments	3.584	
Total gross operating over forecast period	11.393	

Appendix 3: Revised Costings for 2007/08 Ministry of Education Output Classes

The size of the proposed adjustments is as follows:

Output Classes	Increase (Decrease) in 2007/08 \$m	Movement
Strategic Leadership in the Sector	1.190	3.56%
Support and Resources for the Community	7.091	48.17%
Support and Resources to Education Providers	(14.298)	-17.66%
School Sector Portfolio Management	(1.189)	-0.11%
Support and Resources for Teachers	(3.126)	-4.73%
Interventions for Target Student Groups	16.485	8.62%
Strategic Leadership in the Tertiary System	(6.153)	-25.08%
<i>This table gives an indication of the size of movements in 2007/08. There are also movements sought for outyears as well.</i>		

The main causes of the adjustments appear to be:

- the reallocation of indirect or overhead costs that were previously charged directly to single outputs;
- the reallocation of specific activities from one output to another, in cases where the activity was incorrectly charged to another output in the original Estimates; and
- the reallocation of specific activities as a result of a review of the appropriateness of each output expense for various areas of activity.

Overall, these transfers have arisen due to the reclassification of outputs, and, as such, will have no impact on the actual delivery of services.