

Joint Report: Options for Education Reprioritisation Initiatives

Date:	18 April 2008	Report No:	T2008/681
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Action Sought

	Action Sought	Deadline
Prime Minister (Rt Hon Helen Clark)	Agree to the recommendations in this report	Monday 21 April
Minister of Finance (Hon Dr Michael Cullen)	Agree to the recommendations in this report	Monday 21 April
Associate Minister of Finance (Hon Phil Goff)	Note	None
Associate Minister of Education (Hon Parekura Horomia)	Note	None
Minister of Education (Hon Chris Carter)	Agree to the recommendations in this report	Monday 21 April
Associate Minister of Finance (Hon Trevor Mallard)	Agree to the recommendations in this report	Monday 21 April
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

Joint Report: Options for Education Reprioritisation Initiatives

Purpose of Report

1. The Ministry of Education proposes to fund a number of initiatives from savings identified in Vote Education. Cabinet considered the Ministry's original proposal on Monday 14 April, and has delegated authority to Senior Ministers to finalise the details of the overall package (CAB Min (08) 14/5 refers).
2. This report provides you with an analysis of the extent of risk arising from the savings proposals, and also presents two potential packages of initiatives, to inform your decision-making on this issue.

Analysis

Risks from Savings Proposals

3. Officials consider that most of the savings proposals can be achieved without significant sector impacts. The savings come from either reducing funding available for allocation in the future or where programmes have ceased or are able to be wound down, without significant impact on government objectives. No cuts to existing service delivery are proposed.

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

5. Two of the savings options involve programmes that promote the development of innovative practices (the Early Childhood Centres of Innovation and the Extending High Standards Across Schools programmes) and, whilst no existing resourcing will be taken away from schools or early childhood services, there will be some parts of the sectors that will notice the reduction of future opportunities.
6. Among the remaining savings proposals, the highest level of risk relates to the Early Childhood Education ICT Programme. The programme is composed of a number of initiatives intended to build the early childhood sector's capability to use ICT in both teaching and administration activities. While the ICT programme was published as a government initiative, the savings proposal has not removed any of the existing components of the programme and so explicit government commitments to these existing components will be met. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

It is possible that the early childhood sector may react adversely if no further support is made available to them, but officials consider that this risk is outweighed by the risks associated with not funding the key initiatives in the reprioritisation package.

Potential Packages

7. The Treasury and the Ministry have developed “high cost” and “low cost” packages of initiatives to be funded from the remaining savings. The key difference between the two packages depends on whether Ministers decide to fund Literacy and Numeracy in Secondary Schools into Outyears (recommended option), or only to meet existing commitments for the programme:

Package	Initiatives Funded	Unfunded Risks
<p><u>Low Cost Option</u></p> <p>Cost over four years: \$32.129m.</p> <p>Financial impact in 2011/12 and outyears: savings of \$5.850m p.a.</p> <p>Overall package is fiscally neutral by 2011/12.</p>	<ul style="list-style-type: none"> • NCEA Moderators • Truancy Services • Special Education cost pressures • Extra Therapy Staffing • Vision Education Staffing • Literacy and Numeracy PD – programme winds down • Laptops for Teachers <p>Activities managed within existing resources:</p> <ul style="list-style-type: none"> • Alignment of Standards with the NZ Curriculum 	<p><i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i></p>
<p><u>High Cost Option</u></p> <p>Cost over four years: \$47.687m.</p> <p>Financial impact in 2011/12 and outyears: savings of \$0.936m p.a.</p> <p>Overall package is fiscally neutral by 2026/27.</p>	<p>As above, except:</p> <ul style="list-style-type: none"> • Literacy and Numeracy PD – funding baselined into outyears 	<p>As above.</p>

8. Further information about the risks associated with the savings proposals and the two packages of initiatives is provided in the appendices to this report.

Literacy and Numeracy in Secondary Schools

9. The key distinction between the two packages relates to funding for the ‘Literacy and Numeracy in Secondary Schools’ initiative. In the low cost option, only the completion of existing programme cohorts over the next two years will be provided for, whereas the high cost option will provide ongoing funding for the programme to continue into outyears.
10. A decision to baseline the initiative will considerably increase the size of the package, and therefore lengthen the time it takes for the overall impact of the package to become fiscally neutral. However, the initiative is a high value proposal which has led to demonstrated improvements in student achievement, and it fits well with the government’s focus in the *Schools Plus* policy agenda on improving achievement in secondary schools. Officials therefore recommend that you fund the initiative at the full amount.
11. Officials have investigated the possibility of scaling the ‘Literacy and Numeracy’ initiative. One of the possibilities considered was to roll out the initiative to a smaller number of schools. Ministry officials advise, however, that a smaller rollout would not be cost-effective due to the level of fixed costs associated with the initiative.

12. Officials also considered the option of providing one further round of the programme for 30 new schools. To maintain a balanced package over four years, this would require scaling some of the other initiatives, which is not recommended.

Laptops for Teachers

13. After further discussion between Ministry and Treasury officials, officials now recommend that the Laptops for Teachers initiative sits within the final package. This will ensure that teachers whose lease contracts expire in 2008/09 continue to have a laptop, and also meet the increased future demand from teachers eligible under the current policy.

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Financial Implications

15. The financial impact of the high cost option – recommended by officials – is as follows:

High Cost Option	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears	Total
Extra Therapy Support for Some High Needs Students	-	1.243	1.243	-	-	
Literacy and Numeracy in Secondary Schools	-	2.301	4.534	4.823	4.914	
Laptops for Teachers	-	2.250	-	-	-	
Full-time Moderators for the National Certificate of Educational Achievement	-	2.720	-	-	-	
Non-Enrolled Truancy Service (NETS)	-	3.340	-	-	-	
Cost Increases for Non-GSE Providers	-	3.148	3.682	3.682	3.682	
Increasing Staffing in the Vision Education Sector	-	1.181	1.648	1.648	1.648	
Total Operating	-	16.183	11.107	10.153	10.244	47.687
Savings available	4.417	3.402	6.026	8.978	11.180	
Overspend/(underspend)	(4.417)	12.781	5.081	1.175	(0.936)	

16. The financial impact of the low cost option is as follows:

Low Cost Option	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears	Total
Extra Therapy Support for Some High Needs Students	-	1.243	1.243	-	-	
Literacy and Numeracy in Secondary Schools	-	0.507	0.507	-	-	
Laptops for Teachers	-	2.250	-	-	-	
Full-time Moderators for the National Certificate of Educational Achievement	-	2.720	-	-	-	
Non-Enrolled Truancy Service (NETS)	-	3.340	-	-	-	
Cost Increases for Non-GSE Providers	-	3.148	3.682	3.682	3.682	
Increasing Staffing in the Vision Education Sector	-	1.181	1.648	1.648	1.648	
Total Operating	-	14.389	7.080	5.330	5.330	32.129
Savings available	4.417	3.402	6.026	8.978	11.180	
Overspend/(underspend)	(4.417)	10.987	1.054	(3.648)	(5.850)	

Other Relevant Information

17. The information in this briefing has been shared with officials from the Department of Prime Minister and Cabinet.

Recommended Action

We recommend that you:

- a **agree** to implement the following savings in Vote Education:

Source of Savings	Gross operating over forecast period \$m
Student Management Systems	3.030
Professional Development Pool	2.601
Schooling Improvement - Full Service Education	2.935
Extending High Standards Across Schools (EHSAS)	9.093
ECE ICT Programme	9.484
ECE Centres of Innovation	3.060
Team Up/Te Mana	1.000
One-off 2007/08 savings	2.800
Total	34.003

Agree/disagree.

Agree/disagree.

Agree/disagree.

Agree/disagree.

- b **approve** the following changes to appropriations to put into effect the savings identified by the Ministry of Education from its review of spending in 2007/08 and its review of existing programmes to offset the spending decisions in paragraph c or e below, with a corresponding impact on the operating balance:

Vote Education Minister of Education	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Departmental Output Expenses (General) Support and Resources for Education Providers (funded by revenue Crown)	(0.070)	-	-	-	-
Support and Resources for Teachers (funded by revenue Crown)	(1.700)	(0.372)	(0.689)	(0.763)	(0.950)
Support and Resources for the Community (funded by revenue Crown)	(0.020)	(1.000)	-	-	-
Non-Departmental Output Expenses Curriculum Support	-	(0.467)	(0.467)	(0.467)	(0.467)
Professional Development and Support	-	(0.476)	(2.428)	(3.770)	(3.829)

Supporting Parenting	(0.660)	-	-	-	-
Other Expenses to be Incurred by the Crown Primary Education	(0.471)	(0.500)	(1.313)	(2.235)	(3.408)
Schooling Improvement	(0.937)	(0.587)	(0.587)	(0.587)	(0.587)
Secondary Education	(0.559)	-	(0.542)	(1.156)	(1.939)
Total Operating	(4.417)	(3.402)	(6.026)	(8.978)	(11.180)

Approve/do not approve.

Approve/do not approve.

Approve/do not approve.

Approve/do not approve.

EITHER (Ministry and Treasury recommendation)

- c **agree** to the progress the high cost package of initiatives to be funded from these savings, as set out below:

High Cost Option	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Extra Therapy Support for Some High Needs Students	-	1.243	1.243	-	-
Literacy and Numeracy in Secondary Schools	-	2.301	4.534	4.823	4.914
Laptops for Teachers	-	2.250	-	-	-
Full-time Moderators for the National Certificate of Educational Achievement	-	2.720	-	-	-
Non-Enrolled Truancy Service (NETS)	-	3.340	-	-	-
Cost Increases for Non-GSE Providers	-	3.148	3.682	3.682	3.682
Increasing Staffing in the Vision Education Sector	-	1.181	1.648	1.648	1.648
Total Operating	-	16.183	11.107	10.153	10.244
Savings available	4.417	3.402	6.026	8.978	11.180
Overspend/(underspend)	(4.417)	12.781	5.081	1.175	(0.936)

Agree/disagree.

Agree/disagree.

Agree/disagree.

Agree/disagree.

- d **approve** the following changes to appropriations to put into effect the high cost option in paragraph c above, with a corresponding impact on the operating balance:

Vote Education Minister of Education	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Departmental Output Expense (General):					

Interventions for Targeted Student Groups (funded by revenue Crown)	-	6.617	3.811	3.682	3.682
Support and Resources for Teachers (funded by revenue Crown)	-	0.233	0.199	0.199	0.199
Non-Departmental Output Expense: Professional Development and Support	-	2.068	4.335	4.624	4.715
Curriculum Support	-	2.250	-	-	-
Quality Assurance	-	2.720	-	-	-
Other Expenses to be Incurred by the Crown: Special Needs Support	-	2.295	2.762	1.648	1.648
Total Operating	-	16.183	11.107	10.153	10.244

Approve/do not approve.

Approve/do not approve.

Approve/do not approve.

Approve/do not approve.

OR

- e **agree** to the progress the low cost package of initiatives to be funded from these savings, as set out below:

Low Cost Option	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Extra Therapy Support for Some High Needs Students	-	1.243	1.243	-	-
Literacy and Numeracy in Secondary Schools	-	0.507	0.507	-	-
Laptops for Teachers	-	2.250	-	-	-
Full-time Moderators for the National Certificate of Educational Achievement	-	2.720	-	-	-
Non-Enrolled Truancy Service (NETS)	-	3.340	-	-	-
Cost Increases for Non-GSE Providers	-	3.148	3.682	3.682	3.682
Increasing Staffing in the Vision Education Sector	-	1.181	1.648	1.648	1.648
Total Operating	-	14.389	7.080	5.330	5.330
Savings available	4.417	3.402	6.026	8.978	11.180
Overspend/(underspend)	(4.417)	10.987	1.054	(3.648)	(5.850)

Agree/disagree.

Agree/disagree.

Agree/disagree.

Agree/disagree.

- f **approve** the following changes to appropriations to put into effect the low cost option in paragraph e above, with a corresponding impact on the operating balance:

Vote Education Minister of Education	\$m – increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Departmental Output Expense (General): Interventions for Targeted Student Groups (funded by revenue Crown)	-	6.617	3.811	3.682	3.682
Support and Resources for Teachers (funded by revenue Crown)	-	0.041	0.041	-	-
Non-Departmental Output Expense: Professional Development and Support	-	0.466	0.466	-	-
Curriculum Support	-	2.250	-	-	-
Quality Assurance	-	2.720	-	-	-
Other Expenses to be Incurred by the Crown: Special Needs Support	-	2.295	2.762	1.648	1.648
Total Operating	-	14.389	7.080	5.330	5.330

Approve/do not approve.

Approve/do not approve.

Approve/do not approve.

Approve/do not approve.

- f **agree** that the changes to appropriations for 2007/08 above be included in the 2007/08 Supplementary Estimates and that, in the interim, these expenses be met from Imprest Supply.

Rowena Phair
Manager, Children and Families
for Secretary to the Treasury

Rob McIntosh
Deputy Secretary, Strategy and System
Performance
for Secretary for Education

Hon Dr Michael Cullen
Minister of Finance

Rt Hon Helen Clark
Prime Minister

Hon Trevor Mallard
Associate Minister of Finance

Hon Chris Carter
Minister of Education

Appendix 1: Proposed Sources of Savings – Risk Assessment

Source of Savings	Gross operating over forecast period \$m	MoE/Tsy Risk Assessment
Student Management Systems	3.030	<i>Low risk</i> – Costs have been lower than expected in recent years, so funding can be reprioritised with no impact on the sector. MoE is confident that future demand can be managed within the reduced level of appropriations. No schools will receive cuts to funding they already receive.
Professional Development Pool	2.601	<i>No risk</i> – This is funding from a discretionary pool allocated to a professional development programme which was thought to be ongoing but was in reality scheduled to end in 2008/09, so the balance of the fund is available for reallocation. These appropriations can be redirected to other Education priorities with no impact on existing commitments.
Schooling Improvement - Full Service Education	2.935	<i>No risk</i> – The service is now being fully funded through Vote Health, so the appropriations for this initiative can now be redirected to other Education priorities.
Extending High Standards Across Schools (EHSAS)	9.093	<i>Low risk</i> – This is a discretionary funding pool so new entrants to the programme will be limited to the funding available. No schools will receive cuts to funding they already receive.
ECE ICT Programme	9.484	<i>Low-medium risk</i> – The overall programme was launched as a government initiative, but all specific commitments have been provided for and some funding will be retained for the programme to complete existing activity. The sector may react adversely if no further support is made available to them, but the minor risk of adverse reaction is outweighed by the risks associated with not funding the key initiatives in the reprioritisation package.
ECE Centres of Innovation	3.060	<i>Low risk</i> – The programme has been operating for four years and this is an appropriate opportunity to review this activity and look at other ways of promoting best-practice in the sector, No new Centres of Innovation will be established, but all existing commitments will continue to be met.
Team Up/Te Mana	1.000	<i>Low risk</i> – These savings involve a reduction to advertising spend in these social marketing campaigns in 2008/09, rather than a reduction to service delivery to the sector.
One-off 2007/08 savings	2.800	<i>No risk</i> – These savings relate to existing underspends in the 2007/08 year.
Total	34.003	

Appendix 2: Unfunded Initiatives – Risk Assessment

Initiative	Gross operating over forecast period \$m	Tsy Assessment	MoE Assessment
Initiatives managed within existing resources			
Alignment of Standards with the New Zealand Curriculum	-	MoE can manage within existing departmental appropriations. This will require some staging and re-phasing of other work.	MoE and NZQA have been asked to find further savings within departmental appropriations to meet the cost of this initiative. No immediate savings have been identified, however the agencies will manage current baselines over the course of the two years to meet the costs of this initiative.
Subtotal	-		
Unfunded Initiatives			
<p><i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i></p>			

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Appendix 3: Funded Initiatives – Risk Assessment

Initiative	MoE/Tsy Risk Assessment
Full-time Moderators for the National Certificate of Educational Achievement	Secures funding needed for NCEA moderation in 2008/09 only. Further funding will need to be considered in Budget 2009.
Non-Enrolled Truancy Service (NETS)	Secures funding needed to manage demand pressures in 2008/09 only. Further funding will need to be considered in Budget 2009.
Cost Increases for Non-GSE Providers	Annual cost adjustment to maintain service capability and quality in special education.
Laptops for Teachers	Secures funding for existing commitments. <i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>
Extra Therapy Support for Some High Needs Students	Provides security of tenure for 36.4 FTE over-entitlement therapists over academic year 2009. Further funding will need to be considered in Budget 2009.
Increasing Staffing in the Vision Education Sector	Provides 12 additional FTEs to the Vision Education sector. Further funding to reduce caseloads to desirable levels will need to be considered in future budgets.
Literacy and Numeracy in Secondary Schools	If Ministers decide to pursue the low cost option, this programme will need to wind down over the next two fiscal years.