

The Treasury

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Vote Education Review Office

Four-year Budget Plan

1 December 2010

Submitted by:

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Section 1: New Baseline and Summary of Changes

1. The Government is committed to building strong foundations for future learning by lifting literacy and numeracy skills, increasing the levels of educational attainment so that young New Zealanders develop the skills needed to secure the country's future economic and social success, and provide better and more valued services to all.
2. The Education Review Office (ERO) will advance these Government's priorities through evaluations of the quality of education and care in schools and early childhood services. ERO's reports are used, to make good decisions and choices, by parents, teachers, managers, trustees and others, at the individual school and early childhood level, and at the national level by government policy makers. In this way ERO's evaluations contribute to the Government's commitment to a world-class education system for the 21st century.
3. ERO's two core activities are its reviews of schools and early childhood services, and its national evaluations of education sector performance and educational good practice. These reviews and evaluations will help the Government to assess the progress and impact of its education policies. In particular, ERO will provide information for individual schools and the Government on how well schools are assisting students to achieve national standards and qualifications, using assessment, and promoting the educational success of students, particularly Māori and Pacific. ERO's evaluations will provide sound information for the Government to target funding and resources to improve student achievement and system performance.
4. ERO is committed to delivering a responsive and valued service to the Government and New Zealanders and has refocussed its review methodology for schools with a particular emphasis on self review. This focus will continue for the next three years. ERO will also redevelop its review methodology for early childhood services in 2011/12.
5. ERO does not have any operating expenditure initiative that requires additional funding to be approved during Budget 2011. The appropriation for ERO in 2010/11 is forecasted to decrease by \$350,000 from \$29.034 million to \$28.684 million. The four year forward forecast between 2011/12 to 2014/15 is projected to remain constant at \$28.584 million after a further reduction of \$100,000 in 2011/12.
6. The planned decrease in baseline totalling \$450,000 by 2011/12 is consistent with ERO's agreed Performance Improvement Actions. The savings arise mainly from the phased implementation of ERO's new organisational structure, redevelopment of its evaluation methodology for schools and from its review of operational and support expenses. ERO plans to translate these savings into permanent reduction in baseline during the March 2011 Baseline Update round.
7. ERO does not have any capital expenditure initiative requiring approval during Budget 2011. ERO is not a capital intensive department and plans to spend only 1.392 million in 2010/11 and \$1 million per year over the remaining forecast period between 2011/12 to 2014/15.

Overall Impact

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline	29,034	29,034	29,034	29,034	29,034
Cost of new/increased activities	-	-	-	-	-
Amount reprioritised	(350)	(450)	(450)	(450)	(450)
New baseline	28,684	28,584	28,584	28,584	28,584

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking new funding in Budget 2011.	-	-	-	-	-
Capital proposals seeking decisions in Budget 2011 funded within baselines.	-	-	-	-	-
Total capital intentions	-	-	-	-	-

Section 2: Vote Priorities and Pressures

Medium Term Priorities

8. To support the Minister's priorities for education, ERO has identified two key activities that will guide its strategic focus in the medium term, which aims to improve capability, self review and sustained good performance in schools and early childhood services:
 - to implement a revised and more flexible review methodology (differentiated review); and
 - to promote evaluation capacity in the sector (self-review complementarity).
9. In 2009, ERO introduced a differentiated review cycle in which the timing of the next review for a school could be:
 - within 1 year;
 - in 2 years;
 - in 3 years; and
 - in 4-5 years.
10. This allows ERO to target schools that need more assistance, in line with government priority, and also by having longer intervals between reviews where performance of schools is of a very good quality.
11. To support this differentiated review cycle, ERO is implementing its methodology for schools along this review cycle continuum.
12. ERO's evaluation processes will focus on schools' capacity to promote students' achievement and progress, so that students realise their potential and gain the qualifications they need.
13. ERO will review schools through an increasingly complementary approach, which takes the most useful aspects from external (by ERO) and self review (by schools) to build a picture of the school and identify priorities for action. In high performing schools ERO will focus on each school's self-review processes and ability to sustain its performance in the longer term. Another focus for high performance in a school is that Māori learners are actively engaged in their learning, are progressing well and succeeding as Māori. ERO will not regard a school as high performing if it cannot show that it is improving the achievement of its Māori students.
14. ERO's complementary review process will assist schools to build leadership capacity and to use self-review to raise the educational performance of their students. ERO's review methodology has been made more flexible to take account of each school's self-review capability. This will help the Government to concentrate support and interventions in schools where students are not progressing and achieving well.
15. ERO will work on the appropriate approach to reviewing early childhood services and then review the methodology for early childhood services. This will be completed in 2011/12.

Programmes

16. ERO does not have a diverse portfolio of programmes from which to reprioritise. As part of the line-by-line review exercise, ERO returned back to the Crown \$627,000 in 2009/10 from the cessation or reduction of lower priority programmes, namely:
- cessation of adult and community education reviews;
 - cessation of post-review assistance workshops to schools; and
 - reduction in the number of homeschooling education reviews.
17. ERO's two core programmes that support the education priorities of the Government are its reviews of schools and early childhood services, and its national evaluations. ERO's evaluations promote improvement to the quality of education delivered and assist the Government to assess the progress of its education policies. Schools and early childhood services use the evaluation process and ERO's reports to make improvements to student achievement, the quality of teaching and learning, governance, self review and leadership.
18. As ERO has regular access to schools and early childhood services through its review processes, it is in a strong position to evaluate and report on items of national importance. ERO will continue to align its national reporting programme to support the work undertaken in the sector related to the national standards, the implementation of the New Zealand Curriculum, and Māori medium education.
19. ERO's core programmes of education reviews and national evaluation reports are essential to supporting the Government's priorities in education. The output ranges for ERO's core programmes in 2010/11 and outyears are tabled below.

	2010/11 and Outyears
Early childhood education services education reviews	1,240-1,400
State schools education reviews	710-840
Homeschooling education reviews	25-35
Private school education reviews	35-45
National evaluation reports	Up to 20

20. ERO plans to review on average one third of all schools and early childhood services each year. However within this average review cycle, ERO will reprioritise its resources in schools that are underperforming in line with the differentiated review cycle. There are approximately 6,700 schools and early childhood services.

Fiscal Pressures

21. The two key pressures on ERO's financial projections are personnel costs and growth in the number of early childhood services.

22. [6]

23.

24. ERO currently reviews early childhood services on a three-year cycle. This sector has seen considerable growth in numbers. For instance between 1 July 2007 and 1 July 2009 there has been a 10% increase in the number of early childhood services. However as alluded to earlier, ERO will review its methodology for early childhood services in 2011/12.

Cost Drivers

25. The various types of early childhood services and schools have different input requirements such as the estimated time to perform reviews and locality (travel and accommodation). These inputs form the basis of the forecasting methodology used by ERO. Added to this are the indirect costs such as the costs of corporate management and support services, which are allocated to review outputs through the most appropriate cost driver as a proxy for consumption (for example floor space, computer equipment numbers, number of invoice transactions and staff numbers).

26. As mentioned earlier, ERO aims to review on average one third of all schools and early childhood services each year. There are approximately 6,700 schools and early childhood services. It is estimated for 2010/11 that the average cost of an early childhood service education review is \$7,200 and for schools is \$18,400.

Measures to Manage Fiscal Pressures

27. ERO plans to manage its fiscal pressures as a result of several actions, namely:
- implementing a new and more flexible review methodology for schools; and
 - review its approach to early childhood services and then the methodology accordingly; and
 - continuously review its support and operational expenses such as property.

28. In 2009, ERO reviewed its organisation structure. To date, progress on this has been:
- implementation of a new management structure and operating model; and
 - the closure of two offices, one in 2009 and another in 2010.
29. The full financial benefits from this organisational review will be realised in 2011/12.
30. ERO is also carrying out several initiatives to promote efficiency and improve its service delivery. This includes:
- improving expenditure in the use of facilities and equipment and opportunities for shared services (such as whole of Government procurement reforms); and
 - investing in a better information systems infrastructure (current projects include the implementation of an electronic document records management system and video-conferencing).
31. ERO is implementing a new and more flexible review methodology for schools. The upper budget hour limits set for school reviews are tabled below.

Schools	Budget Hours for 1 year and 2 years returns	Budget Hours for 3 years and 4-5 years returns
0 to 100 Students	105	85
101 to 300 Students	145	115
301 to 600 Students	170	135
601 to 900 Students	230	185
901 to 1,500 Students	260	210
More than 1,500 Students	285	230

32. ERO also sets aside a further 10 hours for reviews that require Maori translation work. The initial estimate is that the new review methodology for schools could produce a reduction in review times of four percent.
33. As ERO has done for schools, it will also look at its approach to early childhood services and then review the methodology accordingly. Currently ERO spends on average 55 hours to complete an early childhood service review.
34. The impact of ERO actions to manage its fiscal pressures is a reduction in staffing numbers from 236 full time equivalents (FTEs) in 2008/09 to 215 FTEs in 2011/12. These numbers were reported to the State Services Commission as part of the Capping on Core Government Administration exercise.

Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

35. In June 2009 ERO agreed with its Minister a number of Performance Improvement Actions in relation to ERO's vote and performance. One of these – "Delivering for Less" – was that ERO would seek an ongoing reduction (through internal review) of its operational and support expenses, with the aim of achieving a permanent reduction of \$350,000 by 2010/11 and a further reduction of \$100,000 in 2011/12.

36. ERO plans to translate these savings into permanent reductions in baselines during the March 2011 Baseline Update round and are reflected in *Section 4: Summary of Financial Movements*.

Section 4: Summary of Financial Movements