

# The Treasury

## Budget 2014 Information Release

### Release Document

### July 2014

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
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- [13] Not in scope
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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.

Reference: T2014/380

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**THE TREASURY**

Kaitohutohu Kaupapa Rawa

Date: 7 March 2014

To: Minister of Finance (Hon Bill English)

Deadline: 4.00pm Monday 10 March 2014  
(if any)

## **Aide Memoire: Second Social Sector Ministers Meeting - Key Issues**

You are meeting with Social Sector Ministers on Monday 10 March to further discuss Budget initiatives within the sector.

You have signalled \$250m a year of remaining funding for the social sector, after Social Sector funding signals already announced/agreed, \$150m a year for the Business Growth Agenda set of initiatives, \$140m a year for Defence and a residual level of funding for other initiatives.

[13]

### ***Schools' Operations Grants and ECE Cost Adjustment***

The material for the previous meeting included 1% adjustments to schools' operations grants and the non-salary component of ECE subsidies in the low package, and 1.5% adjustments in the high package. The revised material for the second meeting presents the full adjustment sought by the Minister of Education in the purple section, which is a

2% increase to ops grants and the equivalent of a 2.5% increase to the non-salary component of ECE subsidies (overall increase of 0.8%).

Funding available for reprioritisation within Vote Education has been allocated to these initiatives, and effectively funds half the amounts sought. This reflects that these are the Minister of Education's highest priorities and allows Ministers to consider a range of options up to and including the full adjustment sought.

#### *Risks regarding reception by the sector*

Minister Parata has emphasised to Treasury that achieving the full adjustment sought to these funding levels is her top priority [8]

Minister Parata also considers the ECE subsidy rate to be critical. We understand that ECE services have cut costs in recent years in order to moderate price increases to caregivers. A smaller than proposed subsidy rate adjustment could result in fee increases which could be expected to adversely impact ECE and labour participation. The reaction of the ECE sector is important given that partnerships with the sector are critical to achieving the 98% BPS participation goal.

Treasury is not well placed to assess exactly what level of adjustment will be considered satisfactory by the sector. We consider that this decision should be made collectively by Ministers.

#### *Treasury view on the Schools' Operations Grants and ECE cost adjustments*

In summary, Treasury's position on these initiatives is that:

1. You have indicated the social sector's priority for Budget 14 is initiatives that focus on outcomes and priority population groups. The marginal impact of the proposed adjustments is, almost by design, difficult to assess and is not well aligned with these priorities.
2. They are scalable.
3. Ministers could consider prioritising ops grant ahead of ECE adjustments, as:
  - a. ECE providers can charge fees, and [8]
4. Any ECE adjustment should at least be partially targeted rather than universal (eg, directing some of the adjustment to the Equity Fund).

[3]

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