

The Treasury

Budget 2018 Information Release

Release Document August 2018

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Treasury Report: Budget 2018 briefing for your meeting with the Minister of Education

Date:	9 March 2018	Report No:	T2018/116
		File Number:	DH-4-1

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Refer the attachment Annex A to the Minister of Education	4.15 pm, Monday 12 March 2018
Associate Minister of Finance (Hon Dr David Clark)	Return the signed report to Treasury.	

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Katren Rogers	Analyst, Education & Skills	[39] (wk)	N/A (mob) ✓
Abbas Nazari	Graduate Analyst, Labour Market, Immigration & Tertiary Education	[39] (wk)	N/A (mob)
Diana Cook	Manager, Education & Skills	[39] (wk)	N/A (mob)
Andrew Rutledge	Manager, Labour Market, Immigration & Tertiary Education	[39] (wk)	N/A (mob)

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

Return the signed report to Treasury.

Refer the attachment Annex A to the Minister of Education.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Budget 2018 briefing for your meeting with the Minister of Education

Executive Summary

You have a Budget bilateral meeting with the Minister of Education at 4.15pm on Monday 12th March.

This report provides an overview of Votes Education and Tertiary Education and our advice on the key Budget initiatives that the Minister of Education is likely to want to discuss.

The Ministry of Education (the Ministry) has submitted a total of ^[33] manifesto and cost pressures initiatives at a cost of ^[33] across the forecast period ^[33] per annum) operating and ^[33] capital across Votes Education and Tertiary Education. This represents ^[33] of the operating allowance and ^[33] of the capital allowance.

Treasury has prioritised ^[38] operating (an average of ^[38] and \$348 million capital as medium to high risk or priority against the RAG framework in Annex A. This represents ^{[33], [37], [38]} of the operating allowance and 14% of the capital allowance. At the work stream meetings on 28th March, the Minister of Education identified priority investments of at least an additional \$288 million in operating (an average of \$72 million per annum) and ^[33] million in capital. Funding all of these priorities would require you either to significantly scale high risk cost pressures, or increase education's share of the operating allowance by prioritising education investments over investments in other sectors.

Approximately 96% of Treasury supported funding in the Education portfolio is in the cost pressure track, as a result of the scale and urgency of these investments. Significantly reducing the size of Education portfolio cost pressures would require difficult policy choices, such as making adjustments to staffing ratios or funding rates, targeting ECE subsidies, or rationalising the school property network.

To assist you to meet your fiscal targets, given the scale of the education cost pressures, our recommendations on manifesto initiatives give priority to clear government commitments which are either urgent or where commencement in 2018/19 would be beneficial. We recommend that commitments with uncertain outputs or benefits be deferred to later years.

The Ministry has identified \$89 million over four years for reprioritisation in Vote Education, and \$20.5 million over four years in Vote Tertiary Education, which could be used to offset cost pressure or manifesto initiatives. However, we recommend that a further \$116.5 million that has been withheld to offset the cost of Budget initiatives in Vote Tertiary Education, also be reprioritised for transparency reasons.

We recommend that you use your meeting with the Minister of Education to discuss Treasury's prioritisation of initiatives in the Education portfolio (outlined in Annex A), and to confirm the Minister of Education's key priorities. You may wish to discuss which amber-rated initiatives the Minister would further scale or defer to make room in the Budget package for other priorities.

We recommend that no specific decisions are taken at the meeting, to provide space for you and the other Budget Ministers to consider the relative priority of Education initiatives against other Budget pressures.

Recommended Action

We recommend that you:

[33]

- b **note** that Treasury has prioritised ^[38] operating ^[38] and \$348 million capital as medium to high risk or priority, and that 96% of these are cost pressure initiatives,
- c **refer** the attached Annex A to the Minister of Education,
- d **discuss** the talking points at the end of this report with the Minister of Education,
- e **indicate** whether you would like more information on any of the other initiatives listed in Annex A.

Yes/No

Diana Cook
Manager, Education & Skills

Hon Grant Robertson
Minister of Finance

Hon Dr David Clark
Associate Minister of Finance

Budget Report: Education – Budget 2018 context and initial advice

Purpose of Report

1. This report provides context for your Budget meeting with the Minister of Education at 4.15pm on 12th March 2018. It provides:
 - an overview of the Budget 2018 picture across sectors,
 - context on the Education and Tertiary Education votes,
 - detail on our assessment of the education Budget initiatives that the Minister of Education is likely to raise as priorities, and
 - analysis of what would have to be deferred to fund top Ministerial priorities.
2. In your meeting with the Minister of Education, you could:
 - Reinforce that difficult choices are required for Budget 2018:
 - Net of reprioritisation total funding sought is \$5.5 billion operating per annum and \$9.7 billion capital, compared with a \$2.6 billion operating allowance and \$2 billion capital allowance.
 - Total red and amber initiatives rated as medium to high risk of priority by the Treasury currently exceed operating allowances, and do not include all Ministerial priorities.
 - Budget Ministers are commitment to these allowances in their Budget Responsibility Rules for Budget 2018.
 - It is unlikely that all of the Minister of Education's priorities will be funded in Budget 2018.
 - Clarify the Minister of Education's top priorities for Budget 2018, and ask what he would deprioritise to fund them.
 - Request that the Minister of Education submit the additional \$116.5 million potential reprioritisation in Vote Tertiary Education to offset Budget pressures across sectors.

Budget 2018 Overview

- This section provides an overview of submitted Budget initiatives and Treasury's assessment and prioritisation of initiatives across sectors.

Funding Sought

- Overall, \$5.5 billion operating per annum and a total of \$9.7 billion capital has been sought for Budget 2018. This is broken down in Table 1:

Table 1: Funding sought in Budget 2018

Operating funding sought				
\$millions p/a	Initiatives	Pre-commitments + BBC	Reprioritisation	Total
Cost pressures	3453.573	117.360	-123.490	3447.443
Manifesto				
Initiatives	2080.906	0.000	0.000	2080.906
Total operating	5534.479	117.360	-123.490	5528.349
Capital funding sought				
\$millions p/a	Initiatives	Pre-commitments	Reprioritisation	Total
Cost pressures	5810.000	902.139	-2.500	6709.639
Manifesto				
Initiatives	3007.000	0.000	0.000	3007.000
Total capital	8817.000	902.139	-2.500	9716.639

- This compares to allowances of \$2.6 billion per annum for operating and a total of \$3.4 billion for capital. Ministers have expressed a commitment to these allowances in their Budget Responsibility Rules for Budget 2018.

RAG Ratings

- In order to prioritise the initiatives that have been submitted for Budget 2018, Treasury Vote teams have used a RAG framework that prioritises cost pressure initiatives and manifesto initiatives. You received this RAG framework on 7 March 2018 [T2018/515] and a breakdown is included at the top of Annex 1.
- For cost pressure initiatives, each initiative has been categorised by the level of risk attached to not funding. The key components of this assessment are impact on service delivery, urgency and timing of impact. Red initiatives have a high risk attached to not funding, amber a medium risk and green a low risk.
- For manifesto initiatives, each initiative has been categorised by priority. The key considerations of this assessment are scope, implementation and the implications of funding in Budget 2018. Red initiatives have been categorised as having a high priority for Budget 2018, amber a medium priority and green a low priority. RAG assessments of each initiative are based on the Treasury Vote team recommendation, and moderated across work streams to ensure consistency.
- At the work stream ministerial meetings, Ministers identified their key priorities for their portfolios for Budget 2018. Not all of these initiatives have been categorised as red (high risk/high priority) or amber (medium risk/medium priority), by the Treasury.

10. Table 2 outlines the number of initiatives across both capital and operating that have been categorised as red and amber. It shows the total amount of funding sought from initiatives that have been identified as a Ministerial priority in a work stream meeting. Table 2 highlights that the red and amber initiatives alone exceed both the operating and capital allowances.

Table 2: RAG rating summary

Operating initiatives		Red	Amber	Red and Amber Total	Non- Amber and Red Minister priorities	TOTAL of Red and Amber and Minister priorities
\$millions						
Total cost pressures and manifesto initiatives	[33]					
Reprioritisation						
Pre-commitments						
Between Budget						
Contingency						
Minister priorities						
Total						
Capital initiatives						
\$millions						
Total cost pressures and manifesto initiatives						
Reprioritisation						
Pre-commitments						
Minister priorities						
Total						

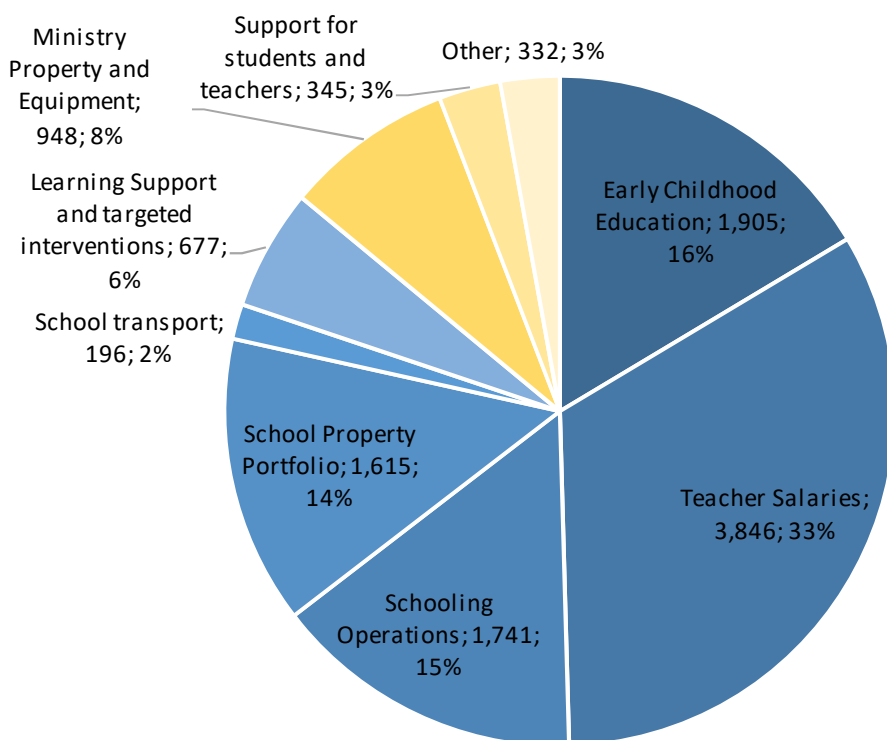
Ministerial Priorities

11. The Ministerial priorities further oversubscribe the operating and capital allowances. As such, trade-offs will need to be made by removing red and amber initiatives from the package in order to allow minister priorities to be added to the package. For the purposes of the bilateral meeting, Treasury has identified initiatives in the amber and red categories that would need to be deprioritised in order to accommodate the Minister of Education's priorities. We have also provided advice on the risks associated with deprioritising these initiatives, and advice on the Minister of Education's priorities.
12. While this bilateral will be useful to understand the Minister of Education's priorities, we recommend emphasising that final decisions will be made by Budget Ministers and there are considerable risks attached to not funded red and amber categorised initiatives. Due to the large number of red and amber rated initiatives submitted for Budget 2018, it is highly likely that not all of the Minister of Education's priorities will be able to be funded through Budget 2018, but some could be picked up in Budgets 2019 and 2020.

Vote Education Context

13. Approximately 96% of red and amber rated funding in the Education portfolio is in the cost pressure track. This reflects the scale and urgency of these investments, largely driven by education policy settings. This section provides an overview of the Vote Education baseline to contextualise our advice on prioritisation, and inform your Budget decisions.
14. Approximately 88% of Vote Education's \$11.6 billion operating baseline is volume driven (blue shaded areas in Figure 1).

Figure 1: Vote Education operating expenses 2017/18 (\$millions)



15. Volume changes and non-discretionary price changes in ECE, schools' operations grants and teacher salaries are approved by Joint Ministers at the March and October Baseline Updates as forecast changes, and counted against the following Budget operating allowance [refer T2017/2650]. In Budget 2018, forecast changes total \$984 million over four years, mainly reflecting the impact of demand growth from high net migration. Forecast price changes reflect changes in the composition of enrolments by age in schooling, and mix of service types in ECE. Teachers' upward progression through wage bands is also funded in this way, unlike in other sectors.
16. Rate adjustments for ECE subsidies and operational grants are discretionary, and considered annually through Budget. Wage rates for teachers are determined by collective bargaining, with bargaining contingencies considered periodically through the Budget, toward the end of each settlement term.
17. Unlike ECE and schooling forecast changes, learning support spending is not automatically adjusted for population growth under current policy settings. Additional funding for volume pressures, as well as any price adjustments or changes in service quality or intensity, are considered through the Budget process. This controls the costs

associated with volume growth, but results in 'rationing' of services, which can lead to increased waiting lists and reduced service levels over time.

18. \$1.8 billion in costs associated with the school property portfolio comprise 14% of Vote Education operating expenses. Approximately \$1.6 billion is formula-driven, with \$1 billion incurred for capital charge and \$622 million in depreciation. Depreciation and capital charge expenses for school property are fully funded by the Crown, and depreciation funding is used for projects to maintain the property portfolio.
19. New schools and roll growth classrooms are funded by capital injection. The *School Growth Package* is considered annually at Budget, and there is some discretion about the scale and pace of expansion to stay ahead of demand. Total capital expenditure on school property is expected to be approximately \$902 million in 2017/18.

Trends and Choices

20. Table 3 shows the funding provided to Vote Education in recent Budgets (including tagged operating contingencies, and excluding operating savings), reflected as a proportion of the operating and capital allowances.

Table 3: Vote Education Budget funding history

Budget year	2014	2015	2016	2017
Operating				
Operating allowance (\$m)	1000	1000	1700	1800
Vote Education	247	261	179	279
Share (%)	24.7	26.1	10.5	15.5
Comment	Includes Investing in Educational Success (IES) contingency	Includes primary and secondary collective bargaining contingency		
Capital				
Capital allowance/Future Investment Fund (\$m)	1050	939	2600	4000
Vote Education	173	244	727	392
Share (%)	16.5	26.0	28.0	9.8
Comment	Includes injections funded from Future Investment Fund	Includes injections funded from Future Investment Fund	Includes Public Private Partnership projects 2 & 3	

21. Additional funding for Vote Education in recent years has largely been directed toward cost pressures, with much smaller investment in new initiatives. Significantly reducing the size of cost pressures in Vote Education would require difficult policy choices, such as adjustments to staffing ratios or funding rates, targeting ECE subsidies, or rationalising the school property portfolio.
22. The remaining 14% of the Vote that is not directly driven by volume has been subject to six expenditure reviews since 2010, returning limited savings from the Ministry's lowest value programmes and activities, or areas of underspend. More information on the 2018 Budget reprioritisation exercise is provided below.

Vote Tertiary Education Context

23. Vote Tertiary Education totals approximately \$3.0 billion in 2017/18 (prior to decisions on fees-free and student support). The majority of this is for tertiary tuition and training (\$2.5 billion) and research and research based teaching (\$0.3 billion). Administration of tertiary education by the Tertiary Education Commission, Education New Zealand, and the Ministry of Education totals \$90 million. Funding for student support (student loans and allowances) sits in Vote Social Development, although policy decisions are part of the Tertiary Education portfolio.
24. The bulk of tertiary education funding is for education providers to deliver services. Universities receive 48% of all tertiary tuition funding and 97% of funding for research and research based teaching. The remainder of tertiary tuition funding goes to institutes of technology and polytechnics (23%), wānanga (7%), and non-government providers (21%).
25. The Government has choices about funding across most of Vote Tertiary Education. In recent years funding has been reprioritised within the vote and moved to higher value areas, such as teaching and research. Flexible funding arrangements from 2016 have encouraged Government and tertiary education providers to more flexibly respond to changes in demand, and this is expected to reduce unused funding for tuition and training.
26. The Government has recently agreed to significant additional funding for tertiary education as part of its 100 day plan. The final appropriations confirmed at the March Baseline Update (MBU) reflect a \$2.481 billion operating expense and negative \$587 million debt impact over the forecast period for the fees free and students allowances changes in Vote Education and Vote Social Development.

Education Budget Overview

27. The Minister of Education has submitted a total of ^[33] manifesto and cost pressures initiatives at a cost of ^[33] across the forecast period ^[33] operating and ^[33] capital across Votes Education and Tertiary Education. This represents ^[33] of the operating allowance and ^[33] of the capital allowance.
28. Treasury has prioritised ^[38] operating ^[38] and ^[33] million capital as medium to high risk or priority, using a RAG rating framework for both cost pressures and manifesto initiatives (see Annex B). ^[38]
29. At the work stream meetings on 28th March, the Minister of Education identified priority investments of at least an additional \$314 million in operating (\$79 million per annum) and ^[33] million in capital.
30. Table 4 summarises the scale of Education initiatives rated red and amber in the draft package, as well as these Ministerial priorities, as a proportion of the operating and capital allowances.
31. Given that there was significant investment in tertiary education through the 100 day plan, the majority of Treasury supported funding is in Vote Education. If all red, amber, and Ministerial priority initiatives were funded, new Vote Education investments would account for at least 25% of the Budget 2018 operating allowance, and 14% of the capital allowance.

Table 4: Summary of red, amber, and Ministerial priority initiatives

Vote	Treasury prioritisation rating	Total opex (\$m)	Annual average (\$m)	Proportion of \$2.6 billion operating allowance	Total capital (\$m)	Proportion of \$3.4 billion capital allowance
Education	[33]					
Tertiary Education						

32. If you were to invest in these Ministerial priorities in the education portfolio without increasing education's share of the allowances beyond ^{[33], [37], [38]} you would need to consider deferring *all of the amber rated initiatives*. You could only fund ^[33] million per annum of Ministerial priorities without scaling any red rated initiatives, which could fund the Minister of Education's top two priorities, at a scaled rate:
- *Cost Adjustment for Schools' Operational Grant*, scaled at approximately \$18 million per annum (estimated \$1.5% adjustment).
 - *Cost Adjustment for Early Childhood Education*, scaled at approximately \$27 million (estimated \$1.5% adjustment).
33. We would not recommend deferring all amber rated initiatives, as this would carry significant risks to service quality and learner outcomes, outlined in Annex A. It would defer large cost pressures to Budget 19, and is not aligned with the government priority to invest in learning support as outlined in the Speech from the Throne, and both the confidence and supply and coalition agreement.
34. Alternately, you could manage education priorities by deprioritising amber initiatives in other portfolios.
35. We understand that the Minister of Education may have priority initiatives in addition to those identified in the work stream meetings and reflected in Table 2, including fully funding initiatives which the Treasury has recommended scaling. We recommend that you clarify the Minister of Education's top priorities at your meeting.

Ministerial Priorities - Cost Pressures

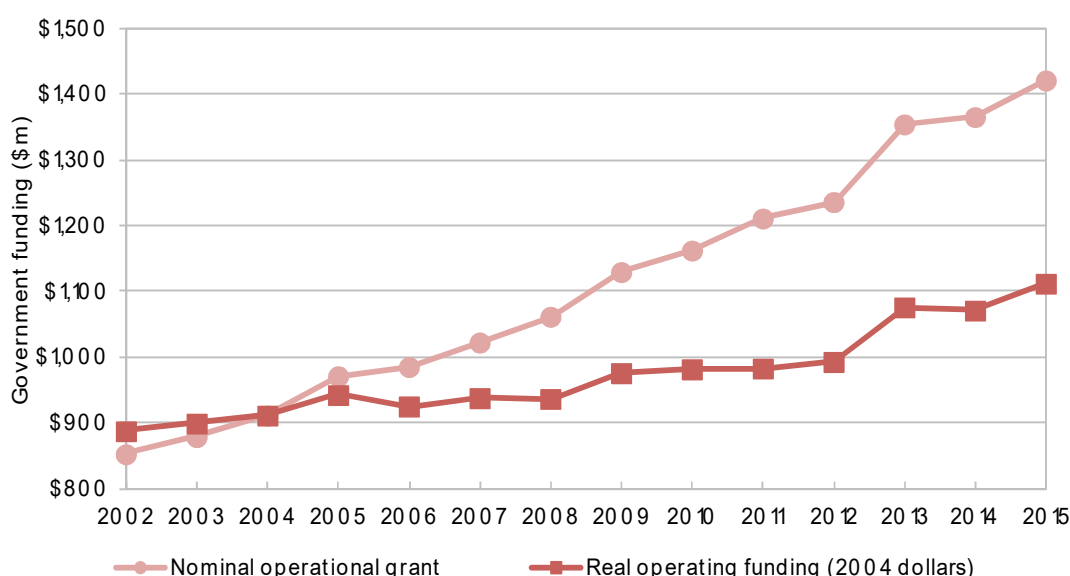
36. This section outlines key cost pressure initiatives which the Minister of Education may raise. We can provide further information on other initiatives in Annex A if required.

[29], [33], [37], [38]

Across-the-board Price Adjustments (Ministerial priority)

40. The Treasury has not prioritised the education bids for across the board ^[33] price adjustments for ECE subsidies, school operations grants, and tertiary education subsidies from 1 January 2019. These adjustments are discretionary, and we have not seen sufficient evidence that current funding rates are leading to constrained service levels or risk of impacting outcomes.
41. While the most recent universal **ECE** subsidy adjustment was in 2014, affordability for parents (measured by the Consumer Price Index of childcare relative to average earnings) has remained relatively stable since 2011. An increase in the number of providers, as well as providers' income levels, suggests that most services are doing as well or better financially than in the past, and it is unclear whether the absorption of cost pressures results in a reduction of service quality.
42. **Schools'** operations funding has increased in real terms in recent years (see figure 2). On average, schools' financial records show increasing operating surpluses and working capital, and there is no clear evidence that improved financial health has come at the expense of a reduction in service levels across the system or associated impact on education outcomes.

Figure 2: Nominal and real schools operations grants since 2002 (\$millions)



43. The Ministry has not provided clear evidence of systemic operational funding pressures, however some individual schools, as a result of their particular needs, may be facing challenges. We consider that the *Teacher aide funding rates* initiative would be better targeted to schools with higher proportion of learners with additional needs. This would be paid into the overall operations grant, so schools have complete discretion over what to purchase with the funding.
44. If you were to prioritise the across-the-board school operations grant adjustment over other investments, we would not recommend funding the *Teacher aide funding rates* initiative as well.
45. We recommend that the cost adjustment for **tertiary** tuition and training subsidies be deferred. While there are some signs that individual providers are struggling it isn't clear that this is a systemic problem. At the same time, there are a number of reviews underway that could change the funding mechanisms for the tertiary education sector and the shape of the ITP sector. We don't think additional baseline funding should be considered until these reviews have taken place.

Learning Support Cost Pressures (Amber, Scaled)

46. Five learning support initiatives seeking a total of ^[33] million across the forecast period ^[33] million per annum) have been scaled to \$224 million across the forecast period (\$56 million per annum). While we understand the Minister of Education may see full funding for these cost pressures as a priority, we would not recommend funding them in full.
47. We have scaled these initiatives to reflect genuine 2018/9 and out-year volume pressures where forecasts are robust, but deferred projected volume pressures where volume forecasts or evidence on effectiveness is less certain. We have also deprioritised the discretionary expansion of services to 'unmet' demand. Annex A provides more detail on the approach taken for individual learning support initiatives.
48. We recommend that further learning support cost pressures be considered following the review of learning support, which should provide more information on demand, evaluation of service effectiveness, and service mix in the sector.

School Growth Package (Red, Scaled)

49. The Ministry's *School Growth Package* initiative sought ^[33] capital expenditure and ^[33] in operating expenditure phased over 9 years, with ^[33] in capital and ^[33] in operating falling within the forecast period. In collaboration with the Ministry, the Vote Team has scaled this initiative to \$332 million in capital and \$47 million in operating over the forecast period, as the Ministry and the construction market do not have the capacity to deliver on the full amount of funding sought.
50. The scaling option prioritises spending on projects:
- in areas facing growth pressures,
 - where land has been secured,
 - where policy options to manage growth are limited, and
 - where the project represents good value for money.
51. Further scaling of the initiative is possible, though it may create capacity pressures which are noted in annex A. Furthermore, if deferred, many of these projects are likely to return for funding along with additional demand growth at Budget 19.

[33]

52.

53. [33]

54. [33]

Ministerial priorities - Manifesto Initiatives

55. Given the scale of the education cost pressures, our recommendations on manifesto initiatives give priority to clear manifesto commitments that are mentioned in the Speech from the Throne, coalition agreement, or confidence and supply agreement, and which are either urgent or where commencement in 2018/19 would be beneficial. We recommend that commitments with uncertain outputs or benefits be deferred to later years.

56. This section discusses key manifesto initiatives which we understand are a priority for the Minister of Education. We can provide further information on other initiatives as required.

[33], [38]

57.

58. [33], [38]

59. [33], [38]

Other Priorities

60. We understand the Minister may also raise our assessment of the following initiatives. See our RAG rating comments in Annex A for information on these:

- *A Progress Approach to the Education System (amber)*
- *Education Sector Work Programme (red)*
- *Teacher Supply and Response Package (amber)*
- *Te Ahu o te Reo Maori (red)*
- *School Leavers' Toolkit*
- [33]

Ministerial Priorities - Initiatives Out of Scope

Christchurch Schools Rebuild (Ministerial Priority)

61. The Ministry's Christchurch Schools Rebuild (CSR) initiative sought ^[33] million capex and ^[33] million opex, comprising capital charge and depreciation, over the forecast period ^[33] million per annum). While the initiative did not meet the Budget criteria for a manifesto commitment, the initiative has merit and is aligned with government priorities. We would recommend funding the initiative in full, depending on the relative priority with other capital initiatives in other sectors.
62. The initiative represents part of the 2013 Cabinet commitment to spend \$1.137 billion rebuilding Christchurch schools, and the Ministry have demonstrated capability in delivering schools in the CSR programme to scope and to budget. ^[33]

63. The initiative is scalable to \$62m in capital and [33] in operating ([33] million per annum), however this would increase the impact of the programme on future Budget capital allowances, and somewhat reduce the Ministry's ability to plan and enter into contracts, potentially delaying projects.

Other Priorities

64. We understand the Minister may also raise the following initiatives which are out of scope, but for we would support a scaled investment for Budget 2018 if funding were available, as explained in our comments in Annex A:

- *Te Kawa Matakura*
- [33]

Reprioritisation

65. We consider that the line-by-line process that the Ministry has conducted to produce savings for Budget 2018 has been robust and has identified a reasonable level of low risk reprioritisation options, given that more significant savings would require difficult choices to address underlying policy settings. However, some potential savings identified have been retained rather than returned to the centre.
66. The Ministry has identified \$89 million over four years for reprioritisation in Vote Education, as well as \$20.5 million over four years in Vote Tertiary Education.
67. A further \$116.5 million in Vote Tertiary Education could be reprioritised from current year underspends (\$30 million), and anticipated underspends associated with lower projected demand (\$86.5 million).
68. The Minister of Education has proposed retaining these underspends and out-year appropriations to offset the cost of the [37] and reduce the cost of the [33]
69. Treasury is not supporting these initiatives. Even if you choose to fund them, we recommend that this reprioritisation is considered through the Budget process, and the full cost of the policy decisions reflected, for transparency reasons.
70. [33]

ANNEX A: EDUCATION PORTFOLIO INITIATIVES

9-Mar-18

CAPITAL AND OPERATING EXPENDITURE		Agency Bid		Tsy Vote Team Assessment	
		Opex Avg.	CAPEX Total	Opex Avg.	CAPEX Total
Cost pressure Initiatives	High risk if not funded	[33]			
	Medium risk if not funded				
	Low risk if not funded				
	Out of scope/do not support				
	Ministerial priorities				
	Total				
Manifesto commitments	High priority				
	Medium priority				
	Low priority				
	Out of scope				
	Ministerial priorities				
TOTAL EDUCATION INITIATIVES					

Interpreting the RAG Ratings

Cost pressure Prioritisation

High risk – If the initiative is not funded, there may be a breach of legislation or obligation/reputational risk, and there may be operational failure for the department; AND the impact will be felt in the 2018/19 financial year.
Medium risk – if the initiative is not funded, there may be service delivery and/or operational risks to the department; AND some components could be deferred to Budget 2019.
Low risk – if the initiative is not funded, there may be a policy impact with minimal/manageable service implications; and/or can defer to Budget 2019.

Manifesto Initiatives Prioritisation

High priority – Mentioned specifically in the Coalition Agreement (CA), Confidence and Supply Agreement (CSA), or Speech from the Throne (ST); AND is Consistent with Priority Areas identified by Budget Ministers; AND will be implementation ready by 1 July AND costings are accurate.
Medium priority – Mentioned in the CA, CSA or ST; AND is consistent with priority areas outlined in the Budget Policy Statement; AND will be implementation by 1 July or within the next 6 months.
Low priority – Not mentioned in the CA, CSA or ST; may still be aligned to priority areas. Likely Treasury recommendation is to defer to future Budgets once costings are complete and the initiative is implementation ready.

Ministerial priorities are those identified by the Portfolio Minister at the workstream meetings.

High risk if not funded/high priority				Agency Bid		Tsy Vote team Assessment		Treasury RAG Rating Comment
No.	Portfolio	Title	Description	Opex Avg.	CAPEX Total	Opex Avg.	CAPEX Total	
10087	Education	March Baseline Update and October Baseline Update Forecast Changes 2017	This funding is for the impact of forecast changes in the March Baseline Update and October Baseline Update 2017. This is primarily related to increased school operations funding, increased teacher salaries and early childhood education volume growth.	246.077	-	246.077	-	Support in full. Without this funding, Education would not be able to meet existing volume and price pressures. The funding is driven by legislation and current economic settings and is non-discretionary. This includes both volume (additional teachers and ECE subsidies) and price elements (teacher progression and changes in distribution of types of ECE services).
10463	Education	Tertiary Education Annual Maximum Fee Movement	This initiative provides funding to maintain the current 2 percent Annual Maximum Fee Movement (AMFM) policy for 2019 and beyond. The AMFM restricts the extent to which providers can increase fees, and impacts on borrowing through the Student Loan Scheme. An AMFM rate higher than inflation creates a cost pressure.	1.995	15.651	1.995	15.651	Support in full. The Annual Maximum Fee Movement is adjusted periodically, and automatically reverts to CPI inflation if it is not set by the Minister of Education ahead of the next academic year. The amount sought in this initiative is very close to forecast CPI for 2019 and 2020.
[33], [37], [38]								
10101	Education	Voluntary Bonding Scheme	The Voluntary Bonding System (VBS) aides the recruitment and retention of beginning teachers into Decile 1 and highly isolated schools, enabling principals to employ the teaching staff needed to deliver the New Zealand curriculum. Recent media coverage of the VBS has resulted in an increase in the number of applications, and a corresponding increase in the number of teachers accepted into the VBS.	[33]	-	1.594	-	Support scaled. Without this funding, Education will not be meeting a statutory obligation to pay if eligible teachers take up the scheme. Full costs based on 100% uptake highly unlikely. [33]
10098	Education	Ongoing Resourcing Scheme	This additional funding will address demand pressures in the Ongoing Resourcing Scheme (ORS), which provides resourcing and support to students with the highest and most complex additional learning support needs until they leave school. ORS is a demand driven model; all students who are assessed and verified as meeting the ORS criteria receive specialist support (such as speech language therapy or occupational therapy), specialist teacher time, teacher aide support and a consumables grant.	[33]	0.218	33.368	0.218	Support in full. Scale to align with teacher aide funding rates only. Without this funding, there is a risk of reduced services with likely impacts on inclusion and participation. Funding reflects entitlement for eligible learners under current policy settings. Full costs assume full funding of Teacher Aide Funding Rates initiative.
10102	Education	School Growth Package	This initiative delivers roll growth classrooms, school expansions, new schools, new property for existing kura, a character school, and existing special education schools, non-teaching space funding, land reimbursements and funding for land in advance in response to population growth and demographic changes across the schooling network.	[33]		11.685	332.362	Support scaled. Without this funding, MoE will be constrained in their ability to plan and contract for new schools and expansions to accommodate growth. While this initiative can be further scaled, deferral of significant funding would run the risk of falling behind demand growth, exacerbating capacity issues which could negatively impact outcomes. Deferred components will likely return for funding along with additional growth pressures in Budget 2019.
10298	Education	Education Portfolio Work Programme	This funding is to support a coherent package of work that aims to create buy-in and facilitate discussion and action on new and innovative directions for the education system. The package includes a number of strategies, regional follow-up hui and the formation of advisory groups for a number of work streams.	[33]	-	2.383	-	Support scaled. 30 year education strategy high priority for Government and mentioned in Coalition Agreement. Summits and reviews will require extensive collaboration with key stakeholders. Recommend to commence work in Budget 2018. Prioritiy for Minister Hipkins.

10306	Education	Te Ahu o te Reo Maori	This funding will provide for a programme designed to lift the overall capability across the system for delivering quality te reo Maori provision.	[33]	-	3.114	-	Support scaled. Specifically mentioned in Speech from the Throne. Implementation ready for pilot rather than large scale roll out. Priority for Minister Davis and Hipkins.
Total High Risk/High Priority				[33]				
10090	Education	Cost Adjustment for Schools' Operational Grant	This initiative will increase operational grant funding for state and state-integrated school from the beginning of the 2019 school year to help schools manage increasing costs including the costs of staff employed through schools' operational grant funding, and maintain quality to meet the needs of all their students.	[33]	-	17.500	-	Priority for Minister Hipkins, but deferral would have limited service implications. No clear evidence of a system wide cost pressure or reduced service quality. Teacher aide funding rates initiative is a better targeted increase to operations grants for schools with more high needs students.
10088	Education	Cost Adjustment for Early Childhood Education	This initiative will increase funding by CPI for the 20 Hours ECE subsidy and the ECE subsidy (for under twos and over twos) to help ECE services and kohanga reo manage increasing costs of provision and maintain quality and affordability for parents and families.	[33]	-	27.200	-	Priority for Minister Hipkins, but deferral would have limited service implications. No clear evidence of a system wide cost pressure faced by services or families. No clear targeted option.
Total Ministerial top priorities				[33]	-	44.700	-	
SUBTOTAL				[33], [37], [38]	[33]			

These scaled options (estimated 1.5% adjustment) could replace all amber initiatives supported by Treasury.

Medium risk if not funded/medium priority				Agency Bid		Tsy Vote team Assessment		Treasury RAG Rating Comment
No.	Portfolio	Title	Description	Opex Avg.	CAPEX Total	Opex Avg.	CAPEX Total	
10100	Education	English for Speakers of Other Languages (Schooling)	This additional funding addresses the cost pressures faced in the English for Speakers of Other Languages programme. This programme funds schools to teach migrant background students English and help them access the curriculum.	[33]	-	8.622	-	Support in full. Continue time limited funding from Budget 2017 - intended for consideration through immigration levy review, but timing of fundamental review unclear and volume pressures significant. Without this funding, there is a significant risk of reduced access and service quality with immediate impact on educational outcomes as ESOL allows learners to access the curriculum.
10096	Education	Sensory Schools and New Zealand Sign Language	This funding addresses cost pressures to allow children and young people who are deaf, hard of hearing, blind, deafblind or have low vision to continue to access specialist services and achieve in education through sensory schools and related services. It will grow the workforce to ensure there are teachers and other professionals with the specialist skills required. This funding will also promote the participation, achievement and wellbeing of deaf and hard of hearing children and young people by supporting New Zealand Sign Language.	[33]	[33]	7.550	-	Support scaled. Without this funding, there is a risk of declining service levels from volume growth and reputational risk from failure to support access for deaf learners and staff under Human Rights Act. Scaled to continue previously time-limited funding and meet anticipated 2018/19 demand only. Further volume pressures deferred subject to Learning Support review.
10095	Education	Early Intervention Services	Demand for the Early Intervention service has risen and there is a waitlist of 2,800 children at June 2017. Increasing funding for this service will enable the Ministry of Education to meet demand by recruiting additional Early Intervention staff; increasing the number of contracted places from Early Intervention providers; and increasing the number of study awards. This will significantly reduce waiting lists for Early Intervention, improving children's education and life outcomes, with education, justice, health and welfare savings.	[33]	[33]	5.384	0.272	Support scaled. Without this funding, there is a risk of increased waitlists and/or decline in service quality. Scaled option halves the current waitlist but does not improve service by returning to 2007 intensity. Further volume pressures deferred subject to Learning Support review.
[33]								
10292	Education	A Progress Approach Across the Schooling System	This funding will be used to work with experts, the sector and other stakeholders (including students, parents, whanau and iwi) to develop a new approach to assessment and reporting on progress and achievement, beginning in 2018.	[33]	[33]	1.500	-	Support scaled. Mentioned in Speech from the Throne, however uncertainty around implementation and what will be delivered. Recommend time limited funding to progress work, as there is strong evidence about high quality progress measurement being key to improving the impact of education.
10308	Education	Teacher Supply Response Package	This funding will be used to implement a targeted, multi-channelled response package to ease short to medium term pressure on teacher supply.	[33]	-	4.992	-	Support scaled. Specifically mentioned in the Speech from the Throne. Education workforce strategy underway - consider further investment following completion of strategy.
[33]								
10099	Education	Teacher Aide Funding Rates	This funding will address a cost pressure for schools by increasing the Ministry's teacher aide hourly funding contribution closer to the rate schools are actually paying. The Ministry funds schools to provide teacher aide support for identified students through a number of existing initiatives including In-Class Support, School High Health Needs Fund, Ongoing Resourcing Scheme, Language and Learning Intervention and the Behaviour Service. It is also likely to increase the actual number of hours of support that students receive.	[33]	-	14.831	-	Support scaled. Risk that some schools are feeling general cost pressures more than average, and reducing service quality. This initiative more targeted than overall cost adjustment to operational grant, but no control over outputs purchased by schools with the funding. Do not recommend funding if operational grant adjustment is priority.
Total Medium Risk/Medium Priority				[33]		44.764	0.272	

Low risk if not funded/low priority				Agency Bid		Tsy Vote team Assessment		Treasury RAG Rating Comment
No.	Portfolio	Title	Description	Opex Avg.	CAPEX Total	Opex Avg.	CAPEX Total	

10097	Education	Te Kahu Toi Intensive Wraparound Service	This funding will increase the number of students receiving specialist support through the Intensive Wraparound Service (IWS). IWS is provided to students who have behavioural, social and/or learning needs that are highly complex and challenging (and may have associated intellectual difficulties) and require support at school, at home and in the community.	[33]	[33]	1.258	0.060	Support scaled. Scaled funding for an additional 30 students would expand service to unmet demand (120 students full funding). Deferable but promising evidence of effectiveness, especially for māori. Some risk of poorer outcomes and increased costs for highest needs down the track.
[33]								
10104	Education	Supporting Infrastructure Service Delivery	The funding will cover an expanding shortfall in Education Infrastructure Service (EIS) departmental operating expenditure due to declining baselines (excluding PPP), cost increases and greater service requirements and respond to future centralisation of property services over time.	[33]	-	2.150		Support scaled. Consider alongside wider departmental pressures. Material decrease in baselines, but lower risk due to unclear explanation of specific trade-offs being made to manage pressures across the whole Ministry. [33]
[33]								
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10305	Education	Strengthening Equity and Lifting Achievement for Maori Students	This funding will support the schooling sector to ensure Maori students achieve as Maori in culturally appropriate English medium settings. It will do this by fostering quality responsive and relational teaching and learning, productive partnerships with whanau, iwi and Maori communities and effective use of student data and evidence of what works. It will draw on what we have learned from Te Kotahitanga and subsequent programmes and will be a co-constructed ‘approach’ that can be targeted and tailored for diverse school settings.	[33]	-	-	-	Mentioned in Coalition Agreement. However further policy work required as unclear what is being delivered. Not investment ready.
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Total Low Risk				269.976	44.671	10.908	0.060
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Other minsterial priorities				Agency Bid		Tsy Vote team Assessment		Treasury RAG Rating Comment
No.	Portfolio	Title	Description	Opex Avg.	CAPEX Total	Opex Avg.	CAPEX Total	
10307	Education	Te Kawa Matakura	This funding will fulfil Government commitments to develop a programme and qualification for secondary students who exhibit excellence in te ao Maori.	[33]	-	-	-	Out of scope, however has merit. If priority, Treasury would support \$2.82 million over three years to fund initial tranche of 3 wānanga.
10295	Education	Christchurch Schools Rebuild	This provides a capital funding contribution to the Christchurch Schools Rebuild Programme. The programme is a ten year programme and is currently in its fifth year. Once complete, the programme will have constructed 13 new schools; rebuilt 10 schools on their existing sites; fully redevelop 34 schools; and redevelop 58 schools over 10 years.	[33]	[33]	-	-	Out of scope, however has merit. Confident of capacity/capability to deliver in full, but also scalable to \$62 million capital in 2018/19 only.
[33], [37], [38]								
Total Other Ministerial priorities				[33]		0.000	0.000	

Out of scope or do not support for Budget 2018				Agency Bid		Tsy Vote team Assessment		Treasury RAG Rating Comment
No.	Portfolio	Title	Description	Opex Avg.	CAPEX Total	Opex Avg.	CAPEX Total	
[33]								
[33]								
[37], [38]								
[37], [38]								
[33]								
10336	Education	Programme for International Assessment of Adult Competencies (PIAAC)	This funding ensures New Zealand participates in the OECD’s next survey of adult skills, which is part of its Programme for the International Assessment of Adult Skills (PIAAC). Participation in the next survey will provide valuable information not available from other sources about skills and competencies across population groups. It will help monitor the effectiveness of education and training systems and improve the effectiveness of Government’s investments in education and training.	1.578	-	-	-	Out of scope, not a cost pressure.
[33]								

[33]

[33]

Total out of scope	[33]	10.908	0.060
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