

The Treasury

Budget 2018 Information Release

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[40]	not in scope	
[41]	that the making available of the information requested would be contrary to the provisions of a specified enactment	18(c)(i)
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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: Treasury Report: School Growth Package: Scaled Options

Date:	23 March 2018	Report No:	T2018/789
		File Number:	DH-4

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Refer Appendix One to the Minister of Education and the Associate Minister of Finance	Thursday 23 March 2018
Associate Minister of Finance (Hon Dr David Clark)	Note	Thursday 23 March 2018

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Caitlin Daugherty-Kelly	Graduate Analyst, Education and Skills	[39] (wk)	N/A (mob)	✓
Diana Cook	Manager, Education and Skills	[39] (wk)	N/A (mob)	

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

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes attached.

Treasury Report: Treasury Report: School Growth Package: Scaled Options

Purpose

This report provides you with further information on the new schools and school expansions which the Treasury recommends funding through the Schools Growth Package in Budget 2018. We are providing you with this information to support you at the Budget Ministers Three meeting on Monday 26 March.

We recently received revised information from the Ministry of Education (the Ministry) on their priorities within the Schools Growth Package. This provides an opportunity to reduce the impact of the package on the capital allowance, while still ensuring that the Ministry can respond to priority growth pressures.

Funding Options

The funding of the schools growth package is attached to specific projects, which means that Cabinet needs to decide which projects to fund, rather than simply setting an overall allocation of funding.

The attached A3 (Appendix 1) lists all the projects for which funding is now being sought as part of the Schools Growth Package. It also provides three scaling options comprising different mixes of projects:

- The Treasury's \$332 million scaled package, which was informed by the Ministry's previously signalled priorities and included in the draft infrastructure package discussed at Budget Ministers 2 on 19 March. This package funds three school expansions and five new schools, and includes \$150 million for additional classrooms to accommodate roll growth at existing schools.
- A Ministry package within the \$332 million envelope, which reflects a revised set of Ministry priorities. This package funds two school expansions and seven new schools, and includes \$143.36 million in roll growth funding.
- A \$249 million package compiled by the Treasury, informed by the Ministry's revised priorities. This package funds one school expansion and five new schools, and includes \$143.36 million in roll growth funding.

In light of the most recent information provided to us by the Ministry, we recommend funding of the \$249 million Treasury package in Budget 2018.

In formulating the \$249 million package, we have prioritised spending on projects:

- in areas facing strong growth pressures
- where land has been identified or secured

- where other options to manage growth are limited
- where the project represents good value for money.

We have also considered the Ministry's ability to deliver the projects within the forecast period. All six of the new schools funded in Budget 2017 have been delayed, with funding transferred from 2017/18 to the next three financial years at the 2018 March Baseline Update. The delays are due to either site issues, delays in the design phase or delays relating to issues with stakeholders.

Rationale for Funding Specific Projects

Attaching funding to specific projects, rather than setting an overall allocation of funding, means that transfers and 'savings' must be explained at the project level through the Baseline Update process. The Ministry argues that this approach limits their ability to forward-plan and re-prioritise across the portfolio. However, we would expect to see improvements in programme and project management, as reflected in the Ministry's Investor Confidence Rating (currently assessed as a C), before we extend greater flexibility.

Recommended Action

We recommend that you:

- a **note** that the Treasury package currently included in the draft package totals \$332 million in capital spending
- b **note** that based on the revised information that the Ministry has provided us, we have formulated a scaled package which totals \$249 million in capital spending, and
- c **refer** Appendix One to the Minister of Education and Associate Minister of Finance.

Diana Cook
Manager, Education and Skills

Hon Grant Robertson
Minister of Finance

Budget 2018 Education Infrastructure Full School Growth Package -

				The Treasury's \$332m Package		The Ministry of Education's (MoE) \$332m Package		The Treasury's Scaled \$249m Package		Reason for inclusion/exclusion in the Treasury's Packages			
				Capital	Operating	Capital	Operating	Capital	Operating				
				\$m		\$m		\$m					
LAND: reimbursement for land already purchased				\$11.46		\$11.46		\$11.46		Obligation to fund.			
ROLL GROWTH: additional teaching spaces for schools facing growth pressures				\$150.00	\$21.75	\$143.36	\$20.67	\$143.36	\$20.67	Scalable, and option to fund only two to three years of roll growth. However, real growth pressures in the network, particularly in city centres, putting pressure on the portfolio.			
				REGION	STUDENT NUMBERS	OPENING DATE							
EXPANSIONS													
Waterview School Stage 2				Auckland	240	2020	\$6.26	\$1.37	\$6.26	\$1.37	\$6.26	\$1.37	High predicted roll growth in area.
[33]							[33]		[33]		[33]		[33]
[33]							[33]		[33]		[33]		[33]
Amesbury School Stage 2				Wellington	200	2020	Defer	\$7.63	\$1.67	Defer		Originally only included in MoE's full package ^[30] . While catchment is already close to capacity, roll growth forecasts for the area are low.	
[33]							[33]		[33]		[33]		[33]
Sub total							[33]		[33]		[33]		[33]
NEW SCHOOLS													
Scotts Point Primary School				Auckland	650	TBC	\$22.80	\$2.21	\$22.80	\$2.21	\$22.80	\$2.21	Resubmitted from Budget 2016. Approved for inclusion in initial PPP3 bundle by Cabinet in 2015. Deferred to 2016 because of site issues, and funding already appropriated for the school was returned to the centre.
[33]							[33]		[33]		[33]		[33]
Relocation and rebuild of Paerata Primary				Auckland	370	2021	\$20.02	\$3.37	\$20.02	\$3.37	\$20.02	\$3.37	Site identified and high predicted growth.
Onepoto Primary (replace)				Auckland	350	2022	Defer	\$19.51	\$1.64	Defer		Onepoto Primary is currently under capacity and opening date is cited as 2022.	
[42]												[42]	
[33]							[33]		[33]		[33]		[33]
[42]												[42]	
[33]							[33]		[33]		[33]		[33]
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[33]							[33]		[33]		[33]		[33]
[33]							[33]		[33]		[33]		[33]
Sub total							[33]		[33]		[33]		[33]
SPECIAL EDUCATION - rebuild of existing special education schools													
[33]							[33]		[33]		[33]		[33]
Sommerville				Auckland	130	2021	Defer	\$17.23	\$2.34	Defer		Originally only included in MoE's full package.	
Allenvale				Christchurch	40	TBC	Defer	\$6.09	\$1.33	Defer		Additional funding to supplement CSR funding.	
Sub total							[33]		[33]		[33]		[33]
FURNITURE, FITTINGS AND EQUIPMENT (made as a grant to the school)							\$9.63		\$9.63		\$4.10		Scales with package.
SCHOOL PROPERTY GUIDE - non teaching space (administration, toilets, corridors etc.)							\$15.00	\$3.00	\$15.00	\$3.00	\$7.50	\$1.50	Have not received funding for last three budgets, [33]
[33]							[33]		[33]		[33]		[33]
TOTAL							[33]		[33]		[33]		[33]

Operating expenditure associated with each school is for capital charge and depreciation.