

The Treasury

Budget 2020 Information Release

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- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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Treasury Report: Proposed Budget 2020 Education Package

Date:	19 February 2020	Report No:	T2020/327
		File Number:	SH-4-0

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Note the information on the Minister of Education's proposed package.</p> <p>Indicate if you would like further advice or a draft letter from the Treasury.</p>	Friday 21 February 2020

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
[34]		[39]	N/A (mob) ✓
Nicky Lynch	Manager, Education and Population Agencies		[23]

Minister's Office actions (if required)

Return the signed report to Treasury

Note any feedback on the quality of the report

Enclosure: Yes – Attached

Treasury Report: Proposed Budget 2020 Education Package

Executive Summary

You met with the Minister of Education (the Minister) on 12 February to discuss the Education Portfolio and Budget 2020. At this bilateral, you asked officials to work on an Education package that would total up to [33] operating over four years. Following the bilateral, the Ministry of Education developed a proposed draft Education package with the Minister within this total (attached).

The key features of the proposed Education package are:

- **It totals [33]**
- **It creates room by removing two initiatives that were included in the Treasury's draft cost pressures package**, namely the [38]
- **It includes the specific [33]**
- **It includes a number of bids that are scaled differently** to those in the draft packages.

We recommend that further work is undertaken on the package to explore scaling options, remove any funding cliffs, and to identify any potential implementation issues generated by significantly increasing baseline funding in some areas (e.g. Priority C bids) or heavy reliance on particular workforces through funding of multiple bids (e.g. teacher aides).

To ensure that the proposed changes are consistent with the new collaborative Budget Priority package process, we recommend that the Minister and his officials should now work closely with the Coordinating Ministers and their secretariat groups to ensure that the Minister of Education's current priorities are reflected in the next Priority package iterations, currently due on 25 February. The Treasury can provide further advice to support your decisions on updating the cost pressures package, if required.

As you are aware, Budget 2020 allowances are under considerable pressure. You have indicated to the Minister of Education that you are comfortable with an overall Education package of [33]. However, if you are concerned about pressures outside of Education, removing two large cost pressures from consideration provides you with some choices about how this room is used. You may wish to consider whether you want all of the funding freed up to go towards the additional initiatives proposed by the Minister, or other Portfolios' pressures identified through the package process.

We consider that there is potential to reduce the overall envelope for Education, whilst still incorporating all of the initiatives you requested on 12 February. A package of around [33] could be achievable. You may wish to write to the Minister with your feedback on the proposed package and request any further work you would like to see completed. This approach would complement the process you are following with the Priority Coordinating Ministers and their proposed packages. The Treasury can provide a draft letter for this purpose if required.

Recommended Action

We recommend that you:

- a **note** the Ministry of Education, with the Minister of Education, has developed a proposed Education package for Budget 2020, totalling [33]
- b **note** the advice in this paper on the key differences between the proposed package and the current draft Budget packages
- c **note** that there are some areas of further work we would recommend to improve the value for money and implementability of the proposed package
- d **indicate** whether you would like the Treasury to provide further advice on changes to the Education initiatives included in the cost pressures package

Yes / No

- e **indicate** whether you would like the Treasury to draft a letter for you to respond to the Minister of Education with feedback and suggested direction for next steps for the proposed Education package.

Yes / No

Nicky Lynch
Manager, Education and Population Agencies

Hon Grant Robertson
Minister of Finance

Treasury Report: Proposed Budget 2020 Education Package

Purpose of Report

1. This report provides you with information on a proposed Education package for Budget 2020, following your bilateral with the Minister of Education last week. The report also provides an update on [33]
2. At the bilateral, you asked officials to work on an Education package that would total up to [33] reflecting the priority packages submitted by coordinating Ministers, and specifically including the following initiatives:
 - cost adjustments for Education sectors
 - 100% qualified Early Childhood Education teachers, and
 - Adult and Community Education (ACE).
3. Following the bilateral, the Ministry developed a proposed Education package with the Minister of Education within this total (attached and as provided to the Treasury and your Office on 13 February). We understand that the Ministry is working on refinements to this package. This advice is based on the version already provided to your Office.

Key Differences Between the Packages

The Minister has proposed a package totalling [33]

4. The main differences in operating funding between the current draft Budget packages and the proposed Education package are that more funding is included for Education in the cost pressure and [33]

[33]

5. The proposed Education package also includes an additional [33]

The proposed package includes the specific initiatives you requested in the bilateral

6. The proposed package includes the items you requested, namely:

[33]

- **100% qualified ECE teachers [33]** – this initiative would meet the unfunded Government Commitment. It is included in the package as the alternative scaled option identified in the Budget bid, and would increase funding rates to services with a fully certificated workforce. The increase would match the nominal difference between historical rates, rather than the proportional increase as sought in the fully funded option.
- **Adult and Community Education (ACE) funding increase (\$16m)** – this initiative seeks to increase total funding for ACE, and the range of courses made available over the next five years. It also seeks to provide funding for ACE Aotearoa. Scaling options are available, and the interaction of this bid with the 1.8% increase to tuition subsidies bid should be explored.

There are also a number of other additional initiatives included in the proposed package

7. The proposed package also includes some funding for cost pressure and Priority D initiatives that the Minister would like considered for funding. These additional initiatives largely reflect known Ministerial priorities, or cost pressures that were not included in the Treasury recommended cost pressure package.² The additional items are:

[33]

- **NCEA online (\$15m)** – this initiative would provide one year of continued funding for NZQA to progress work on its programme to transform assessment for learners. We understand that this is the highest priority initiative for the NZQA. The Treasury has been supportive of funding this programme in the past.

¹ Unless specified otherwise, funding included against initiatives is provided as total operating over the forecast period as included in the proposed Education package and rounded to zero decimal places).

² The draft cost pressures package has not been shared with the Ministry of Education prior to the development of the proposed Education package and officials will therefore be unaware of what was “additional”.

[33]

Cost pressures

- **Right-sizing School Property (\$15m)** – this provides a one-off \$15m increase to the Ministry’s departmental baseline to manage the School Property Portfolio. This initiative follows an increase in the Ministry’s Infrastructure work programme generated by the New Zealand Upgrade Programme and Budget 2019. Budget 2019 did provide an ongoing \$15m per annum increase for the same pressure last year.
- **English for Speakers of Other Languages (ESOL) (\$21m)** – this initiative provides funding for price related cost pressures for ESOL; volume related cost pressures have been funded in past Budgets. A mixture of teacher aides and teachers deliver ESOL. The Treasury Vote team supported scaled funding for this bid of around \$9m to fund forward-looking pay increases only.
- **School High Health Needs Fund (\$20m)** – this initiative provides funding for volume related cost pressures following an increase in the number of students requiring this support. The Fund provides teacher aide support for students with high health needs so those students can attend school safely. The Treasury Vote team supported a scaled amount to meet current demand of \$4.7m operating over four years.
- **Continuing the ECE Provider Assessment Group (\$8m)** – this initiative will fund the continuation of the Group as baseline funding ceases at the end of this financial year. This programme has a focus on addressing high-risk ECE providers and we consider the bid has merit. However, this bid did not fully meet the criteria of a cost pressure, and the Treasury recommended it was resubmitted as a new initiative.

[33]

8. The five additional Ministerial priorities and the first cost pressure initiative above will require additional funding in future Budgets. [33]

The remaining five initiatives are included in the package as receiving only one year of funding, creating funding cliffs that would likely need to be addressed in Budget 2021 or from baseline funding.

9. We recommend caution in using partial or time-limited funding of initiatives, because this can create cost pressures or requests for funding that need to be managed through future Budgets, in particular where funding relates to hiring new staff. We would instead recommend funding fewer initiatives for longer, focusing on the Minister's highest priority bids. Alternatively, the Minister, working with his colleagues, could look into further scaling some of the bids included in the priority packages, to create room to more fully fund the items listed above.
10. As the Coordinating Minister of the Cost Pressures package, we recommend that you consider whether you would like to include the additional five cost pressures above within the cost pressures package. We can provide further advice to support these decisions, including alternative scaling options, should this be useful.

Some of the initiatives are included in the proposed package at alternative funding amounts

11. The proposed package includes alternative scaling to the funding included in the current draft packages for a number of initiatives. For the most part, the changes are minimal; however, those changes that we consider are more notable (due to the size of the change or nature of the bid) are outlined below.
12. In general, the initiatives scaled differently in the cost pressures package are included at a higher amount than in the current Treasury draft package, whereas the initiatives scaled differently in [33]

Cost Pressures Package

- **Pay Equity** [33]

Budget

2019 provided time-limited funding of \$3.403m per annum that will run out at the end of this financial year. The funding included in the proposed package therefore represents a significant increase in baseline funding.

[33]

[33]

Only two initiatives have been removed from the proposed package

13. The majority of the room that has been made for the inclusion of all of the above has been created by removing two large cost pressures: the [33]

14. Further information on the [33] cost pressure is provided later in this paper.

[33]

Options for Feedback on the Proposed Education Package

Removing some large cost pressures provides you with some choices

[33]

17. You have indicated to the Minister of Education that you are comfortable with an overall Education package of [33]. However, if you are concerned about pressures outside Education, removing the two large Education cost pressures does provide you with some further choices about how to use the room this would create.
18. You may wish to consider whether you want all of the funding freed up to go towards the additional initiatives proposed by the Minister, or other Portfolios' pressures and priorities identified through the package formation process. As outlined above, we consider there are some initiatives in the proposed Education package that may be more discretionary, lower priority or lower value for money than others.
19. We consider that there is potential to reduce the overall envelope for Education, whilst still incorporating all of the initiatives you requested on 12 February. [33]

This figure is based on the below illustrative calculations:

- **Reducing the envelope by removing any additional initiatives that were not specifically requested in the bilateral** – removing the additional initiatives listed in paragraph 7 from the current proposed Education package would reduce the package to [33]

- **Reducing the envelope by scaling initiatives that we consider may be more discretionary or lower value – [33]**

20. If you would like to provide feedback on the proposed package, we would advise you suggest the Minister to explore:

- funding fewer of the additional initiatives not discussed at your meeting, but identified in the proposed package
- further scaling of the ECE 100% qualified teachers bid

[33]

- the bids relating to the teacher aide workforce which may be affected by workforce capacity issues and upcoming wage rate changes (and then prioritising between those bids).

[33]

[33]

Next Steps

30. We recommend that further work is undertaken on the package to explore scaling options, remove any funding cliffs, and to identify any potential implementation issues.
31. To ensure that the proposed changes are consistent with the [33]

32. For changes to the cost pressures package, the Treasury can provide further advice to support your decisions on updating the cost pressures package, if required.

33. You may wish to write to the Minister to respond to the proposed Education package, providing feedback and recommending any further work you would like to see. [33]

The Treasury can provide a draft letter for this purpose if required.