



Education Report: Budget 2021 – Proposed Budget Package

To:	Hon Chris Hipkins, Minister of Education		
Date:	15 January 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1248521
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report provides a revised draft budget package following your bilateral with the Minister of Finance of 17 December 2020. We are seeking your feedback prior to the Ministry submitting a final budget package for you to consider on 22 January, and for submission to the Minister of Finance at the end of January.

Summary

- 1 Your initial budget package in December totalled approximately [REDACTED]
- 2 At the Ministerial budget bilateral, the Minister of Finance offered a fiscal allowance of [REDACTED]. This includes critical cost pressures, the manifesto's fiscal plan items, other manifesto commitments and any OPEX expenditure within the School Property Portfolio.
- 3 A draft budget package based on MVOs has been developed and is attached in Appendix A and Appendix B.
- 4 The recommended initiatives with the highest classifications (Tier 1 and 2) total [REDACTED] which leaves room for additional initiatives. We would like your feedback on this proposed package by Monday, 18 January COP.
- 5 It should be noted at this stage the School Lunches initiative and Holidays Act remediation are being treated as 'outside of the envelope' as discussions to clarify the funding source and treatment of these two items are still ongoing.
- 6 On 22 January you will receive a draft submission letter to be sent to the Minister of Finance on 29 January. We also expect a discussion on the proposed package to be on the agenda for your agency meeting on Tuesday 26 January.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** that the fiscal allowance for the Budget 2021 Education package is set at [REDACTED] meaning the proposed initial budget package required significant scaling
Noted
- b. **note** the attached revised proposed budget package is based on the minimum viable option for the initiatives previously submitted, with further scaling and phasing of expenditure to move closer to the allowance offered by the Minister of Finance
Noted
- c. **note** the Ministry has developed classification criteria to support your decision making and categorised the initiatives accordingly to fit the education package within the Minister of Finance's proposed fiscal allowance
Noted
- d. **agree** for the Ministry to develop a final budget package for submission to the Minister of Finance on 29 January 2021 based on your feedback to Appendix A and Appendix B (this will be submitted to your office on 22 January)
Agree / Disagree
- e. **agree** to forward this information to the Associate Education Ministers for their consideration and comment
Agree / Disagree
- f. **do not release** this report at this time as the information contained within is budget sensitive.
Release / Do not release

John Brooker
Group Manager
Education System Policy

___/___/___



Shelley Robertson
Acting Group Manager
Te Ara Kaimanawa

___/___/___

Hon Chris Hipkins
Minister of Education

___/___/___

Background

- 1 Last month you notified the Minister of Finance that officials had developed an initial package covering critical cost pressures and manifesto commitments totalling approximately [REDACTED]
- 2 At the Ministerial budget bilateral the Minister of Finance offered a fiscal allowance of [REDACTED] that includes critical cost pressures, the manifesto's fiscal plan items, other manifesto commitments and any OPEX expenditure within the School Property Portfolio.
- 3 Two items that were discussed but left unresolved, were the funding mechanisms for School Lunches and how to treat the Holidays Act remediation costs. These are both subject to further discussion.
- 4 Following the bilateral, the Minister of Finance invited the following initiatives to be included in the education package:
 - a. Implementation of the Equity Index for Schools,
 - b. ECE Pay Parity,
 - c. Wage Bargaining,
 - d. Initiatives for critical school property cost pressures that will enable the programme to continue for the next 1-2 years.
- 5 The Minister of Finance also indicated he was happy for you to also include other smaller initiatives and pressures provided that they also meet the criteria to be in scope for Budget 2021 (i.e. are manifesto commitments or critical cost pressures) and fit within the overall maximum indicated above.
- 6 The Ministry has subsequently developed a proposed budget package reflecting significantly scaled initiatives based on their MVO. An objective assessment was made by the initiative writers as to the impact of the MVO, i.e. if the benefits of an MVO are close to zero it should be deferred or removed from the process.

Proposed Budget Package

- 7 The Ministry has developed classification criteria to create a package to support your decision making and to fit the education package within the Minister of Finance's fiscal allowance. The proposed package supports the Government's five key objectives for education. The 2018 Education Work Programme provided a blueprint for transforming the education system, from early learning through to schooling and tertiary education, into a system that delivers equitably for all children and learners, including those not well served by the current system, underpinned by the Government's five key objectives for education:
 - a. Learners at the centre;
 - b. Barrier free access;
 - c. Quality teaching and leadership;
 - d. Future of learning and work; and
 - e. World-class inclusive public education.
- 8 This has identified [REDACTED]
If you agree to submit these items at their proposed funding levels, decisions are now needed on how best to utilise the allowance's remaining [REDACTED]

Categorisation of initiatives and criteria for prioritisation

- 9 Appendix A includes a proposed categorisation of initiatives to support decision making and ensure our investment fits within the fiscal allowance. The categories have been developed by applying the following criteria:
- a. **Tier 1** - non-discretionary initiatives (green) are those with a compelling and immediate need to be addressed and show significant risks to e.g. service levels, legal or fiscal implications if not funded, and / or reflect time sensitive commitments,
 - b. **Tier 2** – high priority initiatives (yellow) are those with a compelling case for funding and high priority but where tier 1 risks can be mitigated / managed,
 - c. **Tier 3** – discretionary initiatives (red) represent a beneficial funding opportunity, however nil funding carries less risk than tier 1 or 2 and, given the current fiscal environment, it is recommended these be deferred to future Budgets,
 - d. **Other Ministerial Bilaterals** (blue) – initiatives that fall under Associate Education Ministers and have either not been commissioned through their bilateral meeting or the bilateral meeting is outstanding,
 - e. **Removed Items** – currently excluded items (light grey) notable items that can be deferred to a later budget.
 - f. **Currently treated outside the package** (dark grey) – initiatives that are assumed will be funded outside of Budget 21.

Key items to for consideration

The approach to scaling bids

- 10 The approach we have taken to scaling the bids has been consistent with the Minister of Finance's expectations; i.e. we have generally avoided seeking short-term, time-limited funding, except for the school property items where the Minister of Finance specifically requested a package focused on the next 1-2 years and where a long-term funding approach is currently being developed in conjunction with Treasury officials.

Important considerations with specific initiatives

- 11 Implementing the **Equity Index** for schools and kura is being proposed at the preferred funding level [REDACTED] with a later implementation date (1 January 2023). [REDACTED]
[REDACTED] The later implementation date (1 Jan 23) enables the supporting systems to be developed which, in turn, supports smoother implementation and lower transitions costs.
- 12 A phased approach has been taken to the **Tomorrow's Schools initiative**, significantly reducing the funding sought in Budget 21 to [REDACTED]. This is consistent with the advice we provided to you prior to Christmas [METIS 1246837 refers]. This would seek funding for the key enabling components, such as the establishment of the ESA and Curriculum Centre and where a legislative obligation has been put in place (for example, network planning for early learning and the Māori Education network plan).
- 13 The **Early Learning Pay Parity initiative**: the recent staff pay survey has informed our costing model. One outcome of this is that addressing parity against the lower

steps of the Kindergarten Teachers Collective will cost significantly less than previously estimated. Given the continued uncertainty and lack of information in this space, we recommend a more modest package in Budget 21 combined with a plan to improve the data for more accurate costings of the impact on higher steps in the collective agreement that can be considered in later budgets. You will receive further advice on this by the end of January 2021.

- 14 The ***Ensuring the viability of vocational training*** initiative has been scaled to address the most immediate cost pressure needs. In effect this provides a 3% per annum uplift in funding over three years, and means we can continue to progress the reform of vocational education. However, the VET system is expected to face significant funding stress from 2023 that will have to be addressed in future budgets.
- 15 The Minister of Finance has only invited initiatives for ***critical school property cost pressures*** that will enable the programme to continue for the next 1-2 years. Therefore, the EIS priorities for Budget 21 are to secure funding for Legacy Redevelopment Projects, land purchases, the Christchurch Schools Rebuild Programme (CSR) and National Education Growth Plan (NEGP) initiatives. This will enable the Ministry's three key infrastructure programmes (NEGP, CSR and the National Schools Rebuild Programme (NSRP)) to proceed and relieve some of the pressure on baseline funding over the next two years. We anticipate that securing funding for these initiatives will enable us to fund other cost pressures from our baselines over the next two years (e.g. the Marlborough Colleges) and keep us on track to achieve the Government's 2030 condition and growth targets.

Initiatives in tier three and other categories

- 16 While we recommend the initiatives in Tier 1 and 2 be treated as high priority, items in the other four categories should be subject to discussion and decisions as trade-offs will need to be made to fit within the [REDACTED] allowance.
- 17 Initiatives that fall under Associate Education Ministers have either not been commissioned at a bilateral or the Ministerial bilateral is still outstanding (in the case of Pacific education). Ministerial decisions on these initiatives may change.
- 18 Initiatives that fall under the category 'Removed Items' are things we have identified that could be deferred to later budgets as the risks of not funding them are more manageable than the corresponding risks for the higher priority initiatives.

Holidays Act and School Lunches

- 19 Holidays Act and Schools Lunches are currently treated as outside the package as alternative funding options are being considered. Funding these within the allowance would significantly change the whole package. [REDACTED]

[REDACTED] This would significantly compromise your ability to address cost pressures and make progress on your manifesto commitments. We will continue to work with your office to explore the option of seeking funding for this through the CoVID Response and Recovery Fund.

- 20 Due to the availability of officials, we have not yet been able to hold discussions with Treasury on the treatment of the Holidays Act remediation costs. This is scheduled for Wednesday 20th of January, and we will update you on progress following that meeting.

Risks

- 21 The impact of deferring some cost pressure initiatives is likely to create significant challenges in the long-term. Some initiatives are unavoidable and will require funding in future years with funding pressures increasing, e.g. [REDACTED]

Next Steps

- 22 If possible, by Monday 18 January, COP the Ministry would like to receive your feedback on the proposed budget package and discuss this with your officials.
- 23 On 22 January you will receive a final budget package including a draft letter to the Minister of Finance for submission of initiatives on 29 January. We also expect a discussion on the proposed package to be on the agenda for your agency meeting on Tuesday 26 January.
- 24 The Ministry will lodge all agreed budget initiatives with the Treasury by 29 January, 5pm.

Proactive Release

- 25 We recommend that this Education Report is not proactively released at this time because the information it contains is budget sensitive. Instead, we recommend that it is considered for inclusion in the Budget 2021 proactive release, following delivery of the 2021 Budget.

Appendices

Appendix A: A3 – Proposed 2021 Budget Package 15 January
Appendix B: table – Proposed 2021 Budget Package 15 January

Fiscal envelope OPEX \$2 billion

Total for Tier 1 - 2

Total Tier 1

Manifesto Commitments

Cost Pressure

Māori & Pacific

Other

Total Tier 2

Manifesto Commitments

Cost Pressure

Māori & Pacific

Other

Total Tier 3

Manifesto Commitments

Cost Pressure

Māori & Pacific

Other

Total Other Ministerial Bilaterals

Total Removed Items

Total Currently Outside the Package

Overall Total

		Total Tier 1 (Non-discretionary)			
	#		Opex	Capex	
Cost pressure	1	9(2)(j)			
	2	Investigating and negotiating pay equity claims			
	3	Maintaining pay rates for NZQA's specialist workforce			
	4	Addressing urgent Treaty commitments to the Wānanga sector	\$32.3m		
	5	Next steps in the development of the Education Resourcing System	\$20.3m	\$34.7m	
	6	Meeting cost increases in legacy re-development projects			
	7	Funding the next phase of the National Education Growth Plan			
	8	Property funding to build and expand schools delivering Māori medium education	\$14.4m	\$77.1m	
	9	Purchasing land for new schools			
	10	Christchurch schools rebuild programme	\$17.1m	\$56.0m	
	11	9(2)(j)			
	12	Meeting the increased operational costs for an expanding multi-billion-dollar school property portfolio			
	13	Critical, time-dependent technology upgrade to stabilise at-risk \$5.6billion payroll affecting 100,000 school employees	\$10.0m		
	14	Continuing digital access for principals and teachers	\$12.7m		

Total Tier 2 (High priority)

Manifesto

Cost pressure

#		Opex	Capex
15	Implementing the equity index in schools and kura		
16	Moving towards pay parity in early learning	\$67.1m	
17	Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy	\$10.0m	
18	Reform of Tomorrows Schools*		
19	Ensuring the viability of vocational training	\$135.3m	
20	Addressing the demand increases for Attendance services	\$20.8m	
21	Annual cost adjustment – Schools	\$84.9m	
22	Annual cost adjustment – Early Learning	\$100.7m	
23	Annual cost adjustment – Tertiary	\$110.7m	
24	Funding increase for Alternative Education provision	\$4.4m	
25	Maintaining interventions for learners who require direct Ministry support		
26	Completing the Reform of Vocational Education – Transition and Integration	\$33.4m	\$13.8m
27	NCEA Change Programme – a strengthened NCEA for all New Zealanders	\$92.5m	\$8.1m
28	Improving the property at state Integrated schools	\$52.8m	
29			

* Costs for curriculum centre still being finalised

Total Tier 3 (Discretionary)

#		Opex	Capex
30	Next steps towards closing the digital divide		
31	Addressing funding inequities in the Wānanga sector		
32			
33	Prime Minister's Vocational Excellence Awards	\$3.8m	
37	Supporting the co-location of Marlborough Boys and Girls College and the relocation of Bohally Intermediate		

#	Other Ministerial Bilaterals	Opex	Capex
38	PLD to embed Tapasā		
39			
40	Support Pacific bilingual/immersion education in schooling	\$20.2m	\$0.64m

#	Removed items	Opex	Capex
41			
42			
43			
44			
45	books		

Currently treated outside package		Opex	Capex
Manifesto	School lunches (CRRF to fund)		
Technical	Funding to assess school and Ministry payroll holidays act compliance		

Appendix B - Proposed 2021 Budget Package - 15 January 2021

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	Tier 1 - Non-Discretionary 2 - high priority 3 - Discretionary	Initiative Title	Current 5 year OPEX Total (\$m)	Current 10 year CAPEX Total (\$m)	Initiative Description	Nil funding implications	5 year OPEX Total as at 18/12/20 (\$m)	5 year CAPEX Total as at 18/12/20 (\$m)	
#	Tier 1								
1	9(2)(j)								
2	Tier 1	Investigating and negotiating Pay Equity Claims			This initiative will fund the resourcing staff and related operational costs – associated with the assessment and negotiation of pay equity claims for education sector workforces. These claims seek to remove gender-based undervaluation in the schooling system. The Ministry is legally required to consider these claims, and to negotiate and recommend settlements on behalf of the Crown. Led by the Minister of Education	The Equal Pay Amendment Act 2020 requires the parties to settle pay equity claims in “orderly, timely and efficient manner” (sec 13C). If funding is not approved, the Ministry would be forced to respond to pay equity claims using existing staff, but has insufficient capacity or capability. The risks are: •MoE is unable to assess and negotiate settlement of pay equity claims within agreed timelines and Unions initiate action through the court system; and/or -Affected staff escalate their claims through the media; and/or -Staff and teachers take industrial action •MoE is unable to undertake robust assessment and negotiation processes, and settlement outcomes are sub-optimal •The Government is unable to achieve its objective to “eliminate the gender pay gap within the core public sector and encourage the private sector to do the same”.			
3	Tier 1	Maintaining pay rates for NZQA’s Specialist Workforce			This initiative seeks to maintain pay rates for 4,000 contracted Specialist Workforce (SW) employed by NZQA. Comprised of Exam Markers, Exam Developers, Exam Moderators and Material Critiquers, the workforce is necessary for the integrity and operation of the NCEA and Scholarship assessment process. Cabinet agreed to temporary funding for 2019/20 and 2020/21 to enable NZQA to mitigate immediate remuneration pressures. This interim funding will cease on 30 June 2021 and longer-term funding is now required to maintain the continuity of the payrates established by Cabinet in 2019. Led by the Minister of Education.	The integrity and operation of New Zealand’s NCEA and Scholarship assessment process will be critically compromised.			
4	Tier 1	Addressing urgent Treaty commitments to the Wānanga sector	32.250		This initiative will support the wānanga sector to protect and promote mātauranga Māori by maintaining wānanga research capability funding at its current level and provide equal and ongoing access to stop-gap funding for all three wānanga. This is a critical cost pressure as most provision delivered by wānanga is funded at the lowest tuition subsidy rates, meaning wānanga are not well-supported to meet their legislated role of maintaining, advancing, and disseminating knowledge and developing mātauranga Māori. This initiative will help mitigate the implications of claims to the Waitangi Tribunal and strengthen the Wānanga-Crown relationship, while longer term work on a new funding model is progressed. Led by the Associate Minister of Education, Hon Kelvin Davis,	Nil funding would result in the Crown neglecting its obligations under Te Tiriti to actively protect wānanga as a system of delivery, including supporting their critical role in protecting and revitalising te reo Māori and mātauranga Māori. 9(2)(g)(i)	32.000		
5	Tier 1	Next Steps in the Development of the Education Resourcing System	20.297	34.738	This initiative will fund completion of a modern funding system for a partnership between the Government, the Ministry and the sector which is simple to use and schools and early learning services will get the operational and resources funding they are entitled to in a timely and accurate way. It will underpin agile responses to emerging needs (e.g. COVID-19), and will provide the integrity the Government expects for a system funding around \$8.4 billion per annum. The existing 30-year-old system has failed five times in the past eighteen months, there are unreliable manual processes and control risks, and implementation of new policy initiatives is constrained – e.g. an Equity Index. Initial solution elements are in place providing significant process efficiencies for over 5,800 sector users. Led by the Minister of Education.	Without funding the replacement of the current school resourcing application will be delayed or deferred. The current system is aged and increasingly risks delayed or indirect payments, risking reputational damage and funding certainty for schools. Future policy initiatives such as the Equity Index become harder to implement without this initiative.	17.000	34.738	

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	Tier 1 - Non-Discretionary 2 - high priority 3 - Discretionary	Initiative Title	Current 5 year OPEX Total (\$m)	Current 10 year CAPEX Total (\$m)	Initiative Description	Nil funding implications	5 year OPEX Total as at 18/12/20 (\$m)	5 year CAPEX Total as at 18/12/20 (\$m)
6	Tier 1	Meeting Cost Increases in Legacy Redevelopment Projects			This initiative will provide funding to allow the construction on around legacy redevelopments to start within the next 12-18 months. This cost pressure has developed as a result of inflated market rates and suppliers pricing risk and uncertainty in their tenders, which pushes prices up. This is affecting projects currently in design or at the tender stage. The Ministry is seeking to mitigate perceived risks and increase certainty for suppliers through the National School Redevelopment Programme (NSRP) pipeline of work. This is subject to a successful budget bid and multi-year capital allowance. The legacy projects will generate up to worth of work and jobs and provide students/ākonga with access to quality learning facilities. Led by the Minister of Education.	Ensuring quality learning environments in all schools by 2030 is a Government goal. Without funding, legacy redevelopments will need to be deferred or de-scoped in line with baseline funding and competing priorities. Further delays will likely result in price escalations in material/labour costs as the school's condition continues to deteriorate. Each legacy project has already been pre-committed to schools and there is an expectation these redevelopments will occur.		
7	Tier 1	Funding the Next Phase of the National Education Growth Plan			This initiative funds the expansion of the School Property Portfolio in response to the Network demands identified in the National Education Growth Plan (NEGP). Around 46,000 of the 100,000 student places forecast by the NEGP are funded. This bid will fund additional student places required in the school network by 2030. Funding will deliver roll growth classrooms, new schools and expansions. This is urgently required to meet the existing Network pressures and forecast demand caused by population growth and demographic changes across the schooling network. Led by the Minister of Education.	Lack of capacity in the network will result in the overcrowding of classrooms, which is shown to disrupt learning impacting educational outcomes.		
8	Tier 1	Property funding to build and expand schools delivering Māori Medium Education	14.392	77.070	This initiative will provide funding to address growth in schools delivering Māori Medium Education. This includes purchasing land for new schools, building new schools for schools who are currently in leased or temporary accommodation and providing additional classrooms to existing schools. Led by the Minister of Education.	If this funding was not provided then the Ministry would be unable to buy land, build new schools and expand existing schools for Māori learners. It would also delay three new school projects that require additional funding due to escalation of costs.		
9	Tier 1	Purchasing Land for New Schools			This initiative will provide funding to cover land acquisitions and associated site work costs for new schools and expansions. The purchase of land for new schools is fundamental to delivering the National Education Growth Plan and expanding the School Property Portfolio to meet demand across New Zealand. This includes the reimbursement for land already acquired during FY2020/21. The Ministry requires urgent funding to meet the increasing cost of land (due to land appreciation) and the increasing volume of the school-aged population. Led by the Minister of Education.	Without funding the Ministry would stop purchasing new land completely, this would compromise the Government's ability to keep up with growth and risks increasing future costs as land prices rise. Lack of capacity in the schooling network risks classroom overcrowding, disrupting learning.		
10	Tier 1	Christchurch Schools Rebuild Programme	17.100	56.000	This initiative aims to rebuild the network of Christchurch schools following the 2010 and 2011 earthquakes. This will be done by funding the Christchurch Schools' Rebuild (CSR) programme for another year. This funding is required to relieve baseline pressures and meet the increased costs as outlined in the Mid-Point Review. Funding to complete the programme will be sought through future budgets. Led by the Minister of Education.	The Ministry would need to re-phase and slow down the projects to fund them through baseline. Some schools remaining in the programme will continue to operate out of substandard accommodation until future funding is made available. The Ministry will compromise its commitments made to schools that are still in the programme, resulting in inequity between schools in the programme and potential reputational damage to the Ministry and the Government.		
11	9(2)(j)							
12	Tier 1	Meeting the Increased Operational Costs for an expanding multi-billion-dollar School Property Portfolio			This initiative will address Education Infrastructure Service (EIS) departmental operating shortfall (excluding capital charge, depreciation, and Public Private Partnership schools) for the 2021/22 financial year only. This shortfall is due to a reducing baseline, and an increase in non-discretionary property costs in a growing portfolio (such as building warrant of fitness, school leasing, insurance, health and safety) and the reduction of available revenue conversion. Funding will enable EIS to maintain progress for its various work programmes without compromising crucial services such as rationalisation and personnel. Funding to address the funding cliff will be sought through future budgets. Led by the Minister of Education.	If no funding is provided, the Ministry will struggle to manage the condition of the School Property Portfolio without compromising crucial services and degradation of the school property portfolio value. EIS will have to slow down existing projects and will be unable to gear up for any new pipelines of capital spend and service delivery to schools. It will put pressure on frontline services and cut down on spending for rationalisation and disposal of surplus property and school housing maintenance.		

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	Tier 1 - Non-Discretionary 2 - high priority 3 - Discretionary	Initiative Title	Current 5 year OPEX Total (\$m)	Current 10 year CAPEX Total (\$m)	Initiative Description	Nil funding implications	5 year OPEX Total as at 18/12/20 (\$m)	5 year CAPEX Total as at 18/12/20 (\$m)
13	Tier 1	Critical, time-dependent technology upgrade to stabilise at-risk \$5.6 billion payroll affecting 100,000 school employees	10.000		This initiative will provide funding to upgrade the existing Oracle database software used by Education Payroll Limited to support the annual spend of \$5.6 billion and pays almost 100,000 teachers and support staff every fortnight. The existing software is several versions behind with formal vendor support ceasing in December 2020. This upgrade is required to mitigate the large technical gap in software that carries significant reliability, cybersecurity and reputational risk to the schools' payroll. Recent independent reviews by PricewaterhouseCoopers and Enterprise IT found the upgrade as 'crucial' and 'urgent'. Funding is needed to provide a safe pathway to complete the work while concurrently maintaining the stability of the schools' payroll. Led by the Minister of Education.	The current risk-management strategy is viable only in the short to medium term, and likelihood of operational and security risk is increasing. A significant operational and/or security failure could compromise multiple pay runs to 100,000 teachers and support staff, resulting in major and expensive remediation work, and significant reputational damage for Education Payroll, the Ministry of Education and the Government. It would also delay the implementation of the Holidays Act remediation project.	10.000	
14	Tier 1	Continuing Digital Access for Principals and Teachers	12.653		This initiative will provide funding for projected price increases and additional digital devices and software licenses to ensure principals and teachers continue to access the digital technology required to provide education services to learners. The Ministry of Education's digital devices and software schemes are oversubscribed as uptake has increased over time without additional funding. Additionally, the software contract is up for renewal in 2021 and initial discussions indicate prices will go up. Without additional funding, the Ministry will have to start declining some schools access to the scheme resulting in a higher cost to schools who fund it themselves and inequitable educational service at schools who cannot or choose not to provide digital technology to their staff. Led by the Minister of Education.	With no increase in funding the Ministry would either source funding from baselines (in which very little leeway is available and the funding is intended for other purposes) or start rationing schools' access. This second option would increase the costs faced by schools who fund it themselves and introduce inequities as some schools and learners miss out.		
Total Tier 1								
#	Tier 2							
15	Tier 2	Implementing the equity index in schools and kura			This initiative provides funding to replace the decile system with the equity index and give additional equity resourcing to schools. Schools and kura will be better supported to mitigate the socio-economic barriers faced by learners, the wider school community and whānau. Led by the Minister of Education.	We would be unable to implement the equity index in 2023 if no funding is secured through Budget 2021. This would have the following impacts: •Many learners' educational outcomes would remain significantly impacted by socio-economic disadvantage •Investment in equity funding would remain inadequate and well-below comparable jurisdictions •Schools would continue to receive equity funding based on the stigmatising, outdated and less refined decile system.	320.000	4.800
16	Tier 2	Moving towards pay parity in early learning			This Manifesto commitment initiative will provide funding for teacher-led centre-based education and care service to move qualified and certificated teacher pay in these services closer to parity with kindergarten teachers. The initiative will initially raise the minimum pay attestation requirement for certificated teachers in conjunction with increases to existing funding bands. This will be followed later by enabling services to opt for a new, higher funding band if they attest to pay certificated teachers with one year of relevant work experience a higher salary step over and above the minimum salary attestation. This will lead to a fairer set of working conditions for certificated teachers in the sector and may help to improve teacher retention within education and care services. Led by the Minister of Education.	Nil funding will lead to the pay gap between education and care and kindergarten teachers continuing to grow as the KTCA pay step increases continue. Education and care teachers and associated representatives will express dissatisfaction with the continued and likely increasing disparity in average pay between them and kindergarten teachers. The disparity will incentivise pressure on education and care teachers to seek better paid employment elsewhere, for example, as teacher aides in the schooling sector.	600.000	
17	Tier 2	Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy	10.000		This initiative provides funding for literacy and numeracy interventions for students across the Māori and English medium education pathways, with a focus on key transition points, to support students' opportunities to attain new NCEA co-requisites which will be in place from 2023. Led by the Minister of Education	The introduction of the Literacy and Numeracy co-requisites for NCEA has been confirmed for 2023. Without supports to shift teacher and school practices, there is increased risk of students failing to achieve these co-requisites, leading to reduced opportunities for learners who do not achieve this part of the qualification, and at a system level, declining rates of NCEA attainment.	10.000	

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18	Tier 2	Reform of the Tomorrow's School System *curriculum centre costings to be finalised			The aim of this package of initiatives is to commence the establishment of the Education Service Agency (ESA), including the key leadership structures and core support functions that will help us to make the shift towards a more networked, responsive and supported education system, including strong curriculum leadership. This package also includes key functions of the ESA: the curriculum centre and advisor roles, leadership advisor roles, strategic network management and [REDACTED]. These core functions will form the base for the next step, engaging with the sector to design the more detailed form of the ESA. Led by the Minister of Education.	Without additional funding, manifesto commitments will not be fulfilled. Nil funding for network management means we will not fulfil our statutory responsibility for developing and consulting on enrolment schemes and introducing an early learning network approach. If the curriculum components are not funded, we will not be able to put in place the curriculum leadership and supports the sector needs. This means some learners will continue to experience teaching and learning that does not sufficiently respond to diverse needs.	400.000	
19	Tier 2	Ensuring the viability of vocational training	135.313		This initiative provides funding to maintain the viability of the vocational education and training (VET) system. Between 2014 and 2019, general funding rates for VET increased by 2.4%, significantly less than wage costs (16%), CPI (7%) and rates for degree education (11.4%). As a result the VET system is likely to face ongoing financial crisis from around 2023 onwards. The funding will also implement the new unified funding system which is essential to get the benefits from the Reform of Vocational Education. It will better support high quality work-integrated provision, improve equity for learners and ensure we maintain VET in our regions. This bid has been scaled significantly already and therefore further funding will be required in future Budgets. Led by the Minister of Education.	If this initiative is not funded the relative difference between the costs of delivery and funding levels will be entrenched and the situation will deteriorate. This will impact on the quality of vocational provision for learners, employers and the community and may lead to some unsustainable provision ceasing. This may worsen skill shortages. As volumes decline vocational education and training providers financial position will decline more quickly.		
20	Tier 2	Addressing Demand Increases for Attendance Services	20.873		This initiative funds a critical increase in the number of ākonga that can be reached by the Attendance Service. There are 1729 non-enrolled students whose cases have been outstanding for more than 3 months after referral because the AS cannot resource services to meet the volume increase. This additional funding seeks to help resolve these long outstanding cases. In addition, an underlying increase in funding is required to keep pace with unavoidable inflation cost pressure so that the current service level can be maintained. Led by the Minister of Education, with Associate Minister of Education, Hon Jan Tinetti.	The numbers of students who are chronic non attenders at school (over 70%) has been increasing over a number of years. This has become much worse as a result of covid and the one year URF has been used to support schools with attendance issues. The attendance service additional funding is needed to help support the ongoing increased demand for these services and help cushion the increased call on the services once the URF has ceased.	20.000	
21	Tier 2	Annual cost adjustment for Schools' Operational Grant	84.857		This initiative provides funding for schools to purchase staffing, supplies, utilities and other essentials required to continue operating. A cost increase of 1.6% is applied to the existing schools operational grant funding to accommodate the increased price of providing these essentials at existing levels. Schools have few alternative funding sources to cover these increased costs and without this funding the quality of education provided is likely to degrade, lowering educational achievement. The cost adjustments will take effect from 1 January 2022. Led by the Minister of Education.	Nil funding may harm the ability for some schools to maintain their currently levels of education provision, risking reductions in the quality or quantity of service in schools. Reductions in service level are likely to impact curriculum delivery, additional student support, and maintenance spending-increasing remediation expenditure. COVID-19 has also reduced the ability of schools to receive donations and reduced fundraising opportunities.	85.000	
22	Tier 2	Annual cost Adjustment for maintaining quality in early learning services	100.688		This initiative will fund increases to early childhood education (ECE) subsidies and targeted funding that enable service providers to continue delivering quality ECE. This increase is part of the Government's manifesto commitment to fund annual cost adjustments. This funding applies to the rates for all licensed service types (education and care, kindergarten, playcentres, home-based* and kōhanga reo), and is required to maintain existing levels of quality ECE in the face of rising costs. The initiative will increase the ECE Subsidy for under 2s, ECE Subsidy for 2s and overs, 20 Hours ECE, and Equity Funding from 1 January 2022, and Targeted Funding for Disadvantage from 1 March 2022. Led by the Minister of Education.	If this initiative is not funded, providers may pass additional costs onto families and whānau, who may not be able to cover these costs. If it is not viable to pass on the increase in costs, some providers may choose to close or cut costs. This may cause reductions in participation, choice, and labour-market participation for parents and whānau, or declining quality, increased health and safety risks, and declining work conditions in services. If fees are increased, this would disproportionately affect participation for children from disadvantaged backgrounds and also force some parents to exit participation in the labour market. If providers cut costs instead, quality of provision in some services may decline.	100.000	
23	Tier 2	Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding	110.747		This initiative provides funding for a 1.2% increase in tertiary education tuition and training subsidies to enable providers to maintain the quality of tuition and training as costs increase over time. The increase in per-student subsidies will support providers to ensure their delivery remains relevant and responsive to students' and employers' needs, especially as they continue to manage the impact of COVID-19 on their operations. The increase strikes a balance between helping providers manage increases in delivery costs with an expectation that providers make effective and efficient investments to maintain quality and sustainability. Led by the Minister of Education.	Not maintaining the value of tuition and training subsidies for 2022 will likely adversely impact learners by reducing the quality and/or accessibility of tertiary education and training. No increase would likely exacerbate the financial impact of COVID-19. Providers have limited ability to raise additional revenue to manage cost increase.	112.000	

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24	Tier 2	Funding increase for Alternative Education provision	4.444		This initiative addresses the inflationary cost-pressure that Alternative Education (AE) has experienced since 2012 (the last time we fully addressed this pressure), by increasing AE funding by \$1.111m per annum (\$4.444m over four years). This increase will allow a per place rate increase of 5% (\$588 per student place), from \$11,792 to \$12,380. Led by the Minister of Education, with Associate Minister of Education, Hon Jan Tinetti.	Based on CPI, service provision costs have increased by 11.7% since B12 (the last time we fully addressed inflation for AE). Funding was increased in B19 by 6.9%, leaving a difference of 4.8%. Each year pressures are not addressed, decreases AE's purchasing power, increasing existing inequity. When temporary COVID funding ends in December 2021, funding for AE will drop by \$550 per student place. This funding cliff compounds the impact of inflationary cost pressure and risks worsening outcomes for ākonga.	4.444	
25	Tier 2	Maintaining interventions for learners who require direct Ministry support			The Ministry is facing challenges associated with both inflation and an expanding work programme. The most concerning of these relates to Interventions for Target Student Groups funding. The Ministry engages directly with learners who require additional support through this output. Without additional funding the Ministry will need to review and change programmes to remain within this baseline which has been eroded in real terms. This is likely to see a reduction in the services the Ministry provides to learners. Related non-departmental funding (Learning Support) doesn't face the same issues where teacher funding is adjusted through bargaining and other programmes are compensated for demand increases. Led by the Minister of Education, with Associate Minister of Education, Hon Jan Tinetti.	Nil funding will lead to some Ministry services being reduced or stopped. As additional support for learners isn't the only pressure being managed there may be a range of impacts over coming years. No decisions have been made yet on which services will be affected but front line services are unlikely to be immune.		
26	Tier 2	Completing the Reform of Vocational Education – Transition and Integration	33.400	13.850	This initiative provides funding to retain capability, and to build a data interface, to support the transition and integration phase to complete the Government's Reform of Vocational Education (RoVE). This will enable implementation of changes to the Vocational Education and Training system required to deliver the skills and opportunities that learners, employers, industry, and regions need and to support recovery from the impacts of COVID-19. Lack of continued investment in capability to implement RoVE will give rise to significant risks for learners, including Māori, Pacific and disabled learners, employers, industry and regions. Led by the Minister of Education	At 30 June 2021, a partially built and fragmented vocational education system that does not function. Central transition and integration of the reform will stop. There will be: a significant slowdown of the reform; loss of stakeholder support for the reform; confusion on how the partially built vocational education system operates; lower Industry and Employer confidence in the partially built system that may reduce the number of apprentices. RoVE is a system redesign that requires all parts to be integrated. Nil funding of this initiative will put the reform's integrated set of outcomes at risk. To ensure the successful delivery of the RoVE reforms, as intended by Government, the programme needs to be fully funded (\$33.400m opex + \$13.85m capex). The recommendations of the November 2020 Treasury Gateway review and September 2020 Independent Quality Assurance review concluded the current level of resource, (as costed in the MVO), was below what would be considered prudent and would significantly increase delivery risk for a programme the size and complexity of RoVE. The fully funded budget bid will give effect to the recommendations of these reviews.	32.000	14.000
27	Tier 2	NCEA Change Programme – A Strengthened NCEA for All New Zealanders	92.513	8.149	This initiative provides funding for increased personnel capacity and capability that has been recruited following Cabinet decisions to implement the NCEA Change Programme. This redevelopment of the NCEA qualifications introduces new literacy and numeracy requirements, provides mana ōrite mō te mātauranga Māori in NCEA, replaces the expiring Achievement Standards with coherent and high quality assessment packages, and provides enhanced support for vocational pathways. The strengthened NCEA will support schools and kura to deliver higher quality programmes of learning, the programme will better prepare students for further education and work with flow-on benefits for families and whanau. Led by the Minister of Education.	Not funding this initiative would result in service reductions due to a need to reprioritise Ministry and NZQA baselines and/or changes to the scope of the NCEA result. Changes to the scope, and underresourcing would require changes to the policy decisions agreed in principle by Cabinet (Feb 2020).	87.000	8.000
28	Tier 2	Improving the property at State-Integrated Schools	52.800		This cost pressure bid will provide a one-off funding package to upgrade learning environments at eligible state-integrated schools across New Zealand. This funding will be allocated by the Ministry to the Association of Proprietors of Integrated Schools (APIS) to ensure that it goes towards essential upgrades to improve learning environments. These projects are ready to go in the next 12 months and will stimulate the economy for smaller regional contractors. The Government has stated its intention to provide all schools with quality learning environments by 2030, this includes state-integrated schools. If state-integrated property deteriorates at a faster rate, this could put pressure on the state network and result in cost liabilities further down the line. Led by the Minister of Education.	Without this mechanism Proprietors of state-integrated schools will be unable to accelerate upgrades of school property. The Crown funds routine maintenance and upgrade through existing funding streams, however these will not accelerate delivery to meet the Government's 2030 condition target. Note – New Zealand Catholic Education Office (NZCEO) has filed for judicial review of the decision to exclude state-integrated schools from the School Investment Package announced in 2019, funded through Budget 20.	52.800	

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29	Tier 2							
	Total Tier 2							
#	Tier 3							
30	Tier 3	Next steps towards closing the digital divide					15.000	
31	Tier 3	Addressing funding inequities in the wānanga sector						
32	Tier 3							
33	Tier 3	Prime Minister's Vocational Excellence Awards	3.840		This initiative seeks continuous funding for the Prime Minister's Vocational Excellence award from 2021 onwards. It is given to the top student in a vocational programme of learning in each public secondary school and wharekura in New Zealand as chosen by the school. The Award aims to raise the status of vocational education through celebrating the successes of vocationally aligned students as part of each school's prize giving ceremonies. Led by the Minister of Education with the Prime Minister.	Either Cabinet approves an appropriation transfer from a departmental appropriation to a benefits appropriation so it can be funded out of baseline, or the Award must be cancelled for 2021.	4.200	
34	Tier 3							
35	Tier 3							

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36	Tier 3							
37	Tier 3	Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate			This initiative will fund the first year of the co-location Marlborough Girls' and Boys' Colleges and rebuild and relocate Bohally Intermediate School. When condition issues at the Colleges were identified between 2011 and 2013, the Ministry of Education facilitated consultation with the community to determine the future of the Colleges. The schools and community's preference is to co-locate the Colleges. It will be one of the most significant and transformational projects the Ministry has undertaken, enhancing collaboration and supporting stronger education outcomes for minority groups, whilst delivering high-quality, fit for purpose school infrastructure. Led by the Minister of Education.	Nil funding will result in pre-committed future baseline funding that would otherwise go towards other redevelopments within the school property portfolio.		
Total Tier 3								
#	Other Ministerial Bilaterals							
38	Other Ministerial Bilaterals	Deliver sustained Professional Learning and Development to embed Tapasā				Without additional funding Tapasā as a strategic document will not be supported as a tangible tool to change teaching and leadership resulting in continued negative teaching practices and experiences in education for Pacific learners and families. Teachers in schools and early learning will not receive targeted professional development supporting self-reflection and critical awareness.		
39	Other Ministerial Bilaterals							
40	Other Ministerial Bilaterals	Supporting Pacific bilingual/immersion education in schooling	20.218	0.644	This initiative supports Pacific learners to learn in cultural and linguistic supportive environments by providing the first system-level investment in Pacific bilingual and immersion units in schools to meet persistent operating and resourcing needs, to maintain quality provision. This initiative will purchase targeted funding and support through an additional operational grant component, development of further curriculum resources and a targeted professional learning and development programme on Pacific bilingual and immersion education for teachers. This supports the sustainability of current provision of a highly valued community education pathway across 23 schools, serving approximately 1500 learners. Led by the Associate Minister of Education, Hon Aupito William Sio.	No additional funding and staffing will negatively impact on the schooling system's ability to effectively provide quality bilingual/immersion education that affirms Pacific languages, identities and cultures and supports positive education outcomes. Existing schools may be unable to continue providing education particularly with the compounding financial pressure of COVID-19. There would be limited professional development and incentives provided to support and train Pacific bilingual teachers to grow their competencies and capability which uphold the specialised, quality teaching needed.		
Total Other Ministerial Bilaterals								
#	Removed Items							
41	Removed Items							

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42	Removed Items							
43	Removed Items							
44	Removed Items							
45	Removed Items	Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes	11.893		This initiative funds an expansion of Reading Together® Te Pānui Ngātahi and Duffy Books in Homes to increase children’s literacy and educational achievement with focus on equity and Māori, Pacific, migrant, and refugee learners. With capability building for culturally responsive partnership implementation, the Reading Together® Te Pānui Ngātahi programmes, will provide much greater reach to parents, whānau, iwi and communities with effective strategies to support their children learning to read and increased reading enjoyment. Duffy Books in Homes will expand ownership of books at home through children’s choice of loved books. The approach to this initiative will be to develop and embed sustainable high-trust partnerships for ongoing improvement in children’s wellbeing and education success. Led by the Minister of Education.	If the initiative is not funded these programmes cannot be expanded to support more children improve their literacy and we will need to rely on second chance higher cost one-to-one remedial support to help learners with reading.		
Total Removed Items								
#	Currently Outside the Package							
46	Currently Outside the Package	Ongoing funding for the Ka Ora, Ka Ako (Healthy School Lunches) programme			This initiative will fund the ongoing costs of the Ka Ora, Ka Ako Healthy School Lunches programme. Ka Ora, Ka Ako provides a daily, free lunch to all students within the 25 per cent of schools and kura with the highest concentrations of socio-economic disadvantage, as identified using the Equity Index. The programme aims to reduce food insecurity, improve attendance and engagement, and support local job creation and economic stimulation. Once fully implemented in 2021, the programme will serve approximately 215,000 students per day nationwide and create approximately 2,000 jobs in local communities. Funding for Ka Ora, Ka Ako finishes at the end of the 2021 school year and new funding is required to continue the programme. Led by the Minister of Education.		375.000	

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47	Currently Outside the Package	Funding to Assess School and Ministry Payroll Holiday's Act Compliance			This initiative will fund remediation payments and programme activity associated with addressing historic non-compliance with the Holidays Act 2003. This bid covers the Ministry and Schools' payroll workstreams. Led by the Minister of Education.		275.000	
Total Currently Outside the Package								

Fiscal envelope OPEX \$2 billion		OPEX	CAPEX
Total for Tier 1 - 2			
Total Tier 1			
Manifesto Commitments			
Cost Pressure			
Māori & Pacific			
Other			
Total Tier 2			
Manifesto Commitments			
Cost Pressure			
Māori & Pacific			
Other			
Total Tier 3			
Manifesto Commitments			
Cost Pressure			
Māori & Pacific			
Other			
Total Other Ministerial Bilaterals			
Total Removed Items			
Total Currently Outside the Package			
Overall Total			