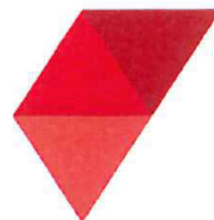


BUDGET-SENSITIVE



Education Report: Budget 2021 – Revised Proposed Budget Package

To:	Hon Chris Hipkins, Minister of Education		
Date:	22 January 2021	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1248804
Drafter:	Duncan Wilson	DDI:	04 4463 1558
Key Contact:	John Brooker	DDI:	[REDACTED]
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

The purpose of this Education Report is to seek your agreement by 27 January to submit the proposed Education Budget 2021 package. Submission to the Minister of Finance is due by 29 January 5pm. Attached is a revised proposed package of initiatives for submission in Budget 2021 (Annexes A and B) as well as a draft letter to the Minister of Finance for initiative submission at the end of January (Annex C).

Summary

Following your Ministerial budget bilateral and a proposed fiscal allowance of [REDACTED] the Ministry previously provided you with a draft package of prioritised initiatives on 15 January [METIS 1248521 refers]. Following feedback from your office, we have revised this package and supporting materials.

The revised budget package proposes [REDACTED] of highly recommended initiatives (tiers one and two), leaving a further [REDACTED] available for additional initiatives. It includes the three initiatives specifically invited by the Minister of Finance (wage bargaining, early learning pay parity and equity index) as well as several manifesto commitments and critical cost pressures. Most of these have been scaled back to fit within the proposed fiscal allowance. The school property proposals very much focus on the next one to two years, in line with the specific request contained in the Minister of Finance's letter to you after the bilateral session in December.

It should be noted that at this stage the School Lunches initiative, Tertiary Hardship Fund for Learners and Holidays Act remediation are being treated as outside of the envelope. The Minister of Finance has agreed to provide time-limited funding for School Lunches from the COVID-19 Response and Recovery Fund (CRRF) and an alternative funding source (fees-free underspends) is being proposed for the Tertiary Hardship Fund for Learners. Cabinet papers are in preparation for both initiatives and we do not propose submitting Budget templates. Discussions are continuing with Treasury to clarify the funding source and treatment of the Holidays Act. Treasury have advised to submit a template for this, but to treat it outside of the [REDACTED] allowance at this stage.

Recommended Actions

The Ministry of Education recommends that you:

- a. **Note** the education budget package is on the agenda for Tuesday 26 January Agency Meeting to provide an opportunity for yourself and associate Ministers to discuss the proposed package and provide feedback.

Noted

- b. **Forward** this report and the associated annexes to the Associate Ministers of Education to support the discussion at the upcoming Agency Meeting.

Agree / Disagree

- c. **Agree** that the Ministry of Education submits supporting templates for these initiatives to the Treasury.

Agree / Disagree

- d. **Note** we have drafted a letter to the Minister of Finance, which is appended. An updated letter will be provided early next week to finalise the submission of the Education package by 29 January 2021.

Noted

- e. **Do not release** this Education Report proactively at this time because the information contained within it is Budget sensitive.

Release / Not release



Dr Andrea Schöllmann
Deputy Secretary
Education System Policy

22/1/21



Vic Johns
Acting Deputy Secretary
Te Ara Kaimanawa

21/01/2021

Hon Chris Hipkins
Minister of Education

 / /

Background

- 1 Your initial budget package in December totalled approximately [REDACTED] (opex) and [REDACTED] (capex), with minimum viable options (MVOs) at that stage totalling [REDACTED] (opex). At the Ministerial budget bilateral, the Minister of Finance offered a fiscal allowance of [REDACTED] (opex) over 4 years. No specific capex allowance was proposed, however the Minister of Finance indicated the associated operating costs should be found within the proposed [REDACTED] allowance.
- 2 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.
- 3 The Minister of Finance indicated he was happy for you to also include other initiatives and pressures if they met the scope criteria for Budget 2021 (manifesto commitments or critical cost pressures) and fit within the overall maximum indicated above.
- 4 On 15 January, the Ministry provided you with a high-priority package of initiatives for Budget 2021. A summary of the revised package is set out in Annexes A and B.

Proposed Package of Initiatives for Submission

- 5 As previously advised, 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.

Categorisation of initiatives and criteria for prioritisation

- 6 Annex 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 2021.

We wish to confirm the package of high-priority initiatives with you and discuss your priorities for utilising any remaining funding in the proposed allowance

- 7 Our categorisation process has identified [REDACTED] (opex) of Tier 1 non-discretionary initiatives and [REDACTED] (opex) of Tier 2 high priority initiatives, creating a high priority package of [REDACTED] (opex).
- 8 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 are made to fit within the overall [REDACTED] allowance.
- 9 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.
- 10 Initiatives that fall under the category 'Removed Items' are items 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.
- 11 We wish to discuss this package with you and associate Ministers to confirm what should be included in Tiers 1 and 2, and that you are happy with the level of funding proposed for each initiative. 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]

Key items for consideration

The approach to scaling bids

- 12 The approach we have taken to scaling the bids has been consistent with the Minister of Finance's expectations. 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.
- 13 The proposed package reflects significantly scaled initiatives based on their MVO, so further scaling may reduce the benefits of an MVO close to zero. If this occurs it should be deferred or removed from the process.

Important considerations with specific initiatives

- 14 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)
-

██████████ The later implementation date (1 January 2023) enables the supporting systems to be developed which, in turn, supports smoother implementation and lower transitions costs.

- 15 A phased approach has been taken to the **Tomorrow's Schools initiative**. This reduces the funding sought in Budget 2021 to ██████████. This is consistent with the advice we provided to you prior to Christmas [METIS 1246837 refers]. The initiative would seek funding for the key enabling components, such as the establishment of the ESA and a Curriculum Centre and its associated work programme. This also allows for a strengthened Network Management function where several legislative obligations have been put in place (for example, network planning for early learning and the Māori Education network plan).
- 16 The **Early Learning Pay Parity Initiative**: The recent staff pay survey has now been used to inform our costing model. One outcome of this is that addressing parity against the lower steps of the Kindergarten Teachers Collective Agreement (KTCA) will cost significantly less than previously estimated. Given the continued uncertainty and lack of information in this area, 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. The proposed option would provide premium rates on an opt-in basis for providers who attest to paying their staff at least the minimum salary (based on experience) up to the equivalent of step three on the KTCA. You will receive further advice on this by the end of January 2021.
- 17 The **Ensuring the viability of vocational training initiative** has been scaled to address the most immediate cost pressure needs. This provides a 5% one off uplift in funding from 2022 and means we can continue to progress the Reform of Vocational Education (RoVE). However, the vocational education and training system is likely to face ongoing financial crisis from around 2023 onwards due to a history of low increases in funding rates. This is likely to need to be addressed in future budgets. In the meanwhile, this changed approach ██████████ from the package presented in December.
- 18 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 schooling property priorities for Budget 2021 are to secure funding for legacy redevelopment projects, land purchases, the Christchurch Schools Rebuild Programme (CSR) and the 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.

Important items that are outside of the package

- 19 The Ka Ora, Ka Ako (Healthy School Lunches) programme, the Tertiary Student Hardship Fund and Holidays Act items sit outside the proposed Education Package:
- a) The first two years of The Ka Ora, Ka Ako (Healthy School Lunches) programme will be met through the COVID Response Recovery Fund (CRRF). A Cabinet paper is currently being drafted to put this into effect,

- b) Officials have provided you with a draft Cabinet paper [METIS 1248422 refers], proposing to transfer [REDACTED] of the 2020/21 Fees Free payment funding that will be underutilised to support the Tertiary Hardship Fund for Learners,
- c) Officials have recommended that the Holidays Act remediation costs be submitted outside of the package at this time to maintain visibility while discussions continue concerning the ultimate funding source for this initiative.

Risks

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

Submission Letter to the Minister of Finance

- 21 The Ministry has developed a draft letter to the Minister of Finance to accompany the submission of the package of initiatives. The letter uses a template format provided by the Treasury.
- 22 This letter details the overall funding sought and highlights areas of interest to the Minister of Finance: in particular setting out the approach to scaling the initial budget package from [REDACTED] to fit the [REDACTED] allowance offered by the Minister of Finance.
- 23 This includes the phasing approach, initiatives that now sit outside the current envelope due to other funding sources or outstanding decisions as well as other notable changes since your bilateral 17 December.
- 24 It also highlights progress on the CRRF initiatives. The progress report on spending to date from the CRRF is requested to be attached to the same submission letter.

Next steps

- 25 We seek your feedback or agreement to the proposed package for submission and accompanying letter by Wednesday 27 January 2021 5pm. This includes your feedback on the submission letter to the Minister of Finance, including the CRRF progress report. Once we have incorporated your decisions and feedback, we will provide an updated letter for you to sign to support the submission of initiatives to the Minister of Finance.
- 26 Following your approval, the Ministry will lodge all the agreed budget initiatives with the Treasury by 29 January, 5pm.
- 27 We anticipate you will have a further bilateral with the Minister of Finance in February or March post submission to further discuss Education funding priorities.

Proactive Release

- 28 We recommend that this Education Report is not released at this time because the information it contains is Budget sensitive. This is consistent with section 9(2)(f)(iv) of the Official Information Act 1982, which states that good reason for withholding official

information exists if withholding it is necessary to maintain the constitutional convention that protects the confidentiality of advice tendered by officials.

Annexes

- Annex A: A3 - Proposed package of initiatives for submission
- Annex B: Table - Proposed package of initiatives for submission
- Annex C: Draft letter to the Minister of Finance accompanying submission

Proactively Released

Fiscal envelope OPEX					Total Tier 2 (High priority)			Total Tier 3 (Discretionary)						
Total for Tier 1 - 2														
Total Tier 1														
Cost Pressure					Manifesto	#	Opex	Capex	Manifesto	#		Opex	Capex	
Total Tier 2						15	Implementing the equity index in schools and kura		\$4.8m	Cost pressure	30	Next steps towards closing the digital divide		
Manifesto Commitments						16	Moving towards pay parity in early learning	\$67.1m			31	Addressing funding inequities in the Wānanga sector	9(2)(i)	
Cost Pressure						17	Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy	\$10.0m			32			
Total Tier 3					Cost pressure	18	Reform of Tomorrows Schools*			33	Prime Minister's Vocational Excellence Awards	\$3.8m		
Manifesto Commitments						19	Ensuring the viability of vocational training	\$127.4m		34				
Cost Pressure						20	Addressing the demand increases for Attendance services	\$20.8m						
Total Other Ministerial Bilaterals						21	Annual cost adjustment – Schools	\$84.9m						
Total Removed Items						22	Annual cost adjustment – Early Learning	\$100.7m						
Total Currently Outside the Package						23	Annual cost adjustment – Tertiary	\$110.7m						
Overall Total						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								

Annex B - Proposed 2021 Budget Package - 22 January 2021

	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
#	Tier 1							
9(2)(j)								
2	Investigating and negotiating Pay Equity Claims	Tier 1 - Time sensitive commitment with high legal risk - Funding needed to investigate claims.	34.394	2.280	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 Education 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.			Since the December bilateral, we have received additional claims. [REDACTED]
3	Maintaining pay rates for NZQA’s Specialist Workforce	Tier 1 - High risk to existing service levels and disruption to learners.	10.000	-	This initiative seeks to maintain payrates for 4,000 contracted Specialist Workforce 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 MZQA 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.			This is an interim 2 year solution to reflect changes that are currently happening that may change workforce needs at NZQA.
4	Addressing urgent Treaty commitments to the Wānanga sector	Tier 1 - TOW obligation, high risk of further Treaty claims. High risk to sector relationships, high legal risk, and a risk to service levels.	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 and disseminating knowledge. 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.	32.000		No change. This initiative can only feasibly achieve its objectives with full funding.
5	Transforming the Education Funding System	Tier 1 - High risk to sector relationships, existing service levels and funding arrangements.	20.297	34.738	This initiative is to complete the new system for the \$8.4b per annum operational funding payments for schools and early learning services administered by the Ministry. A modern resourcing system will transform education funding processes from 30-year-old systems and high risk manual processes to simple, easy to use and easy to understand, accurate, largely automatic and timely processes, and is a crucial investment for protecting the government’s ability to reliably and transparently fund the education sector and to swiftly implement responses to emerging or urgent needs. Led by the Minister of Education.	17.000	34.738	No change. Higher costing reflects outyears operating costs being added.
6	Meeting Cost Increases in Legacy Redevelopment Projects	Tier 1 - High risk to sector relationships and redevelopment arrangements, time-sensitive projects at risk.			This initiative will provide funding to allow the construction on around [REDACTED] 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 [REDACTED] worth of work and jobs and provide students/ākonga with access to quality learning facilities. Led by the Minister of Education.			No change. This is top priority for EIS and full funding allows the subsequent scaling of other infrastructure bids.

Annex B - Proposed 2021 Budget Package - 22 January 2021

	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
7	Funding the Next Phase of the National Education Growth Plan	Tier 1 - Risk to service levels and future education system capacity, high risk of disruption of learners' environment.			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. 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.			Note - this bid now includes funding for the Mangere Refugee Centre (previously its own bid).
8	Property funding to build and expand schools delivering Māori Medium Education	Tier 1 - Risk to service levels and future education system capacity for Māori learners.	14.392	77.070	This initiative will provide funding to address growth in schools delivering Māori Medium Education. This includes building new schools for schools who are currently in leased or temporary accommodation and providing additional classrooms to existing schools. This scaled package does not fund any land purchases and reduces the level of roll growth funding. Land for new Māori medium schools will be incorporated into the Ministry's wider land acquisition programme and will be prioritised against other land requirements. Led by the Minister of Education.			This bid is a new addition. Costs extracted from the wider NEGP bid.
9	Purchasing Land for New Schools	Tier 1 - Risk to service levels and future education system capacity.			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.			
10	Christchurch Schools Rebuild Programme	Tier 1 - Risk to service levels, future education system capacity, and sector relationships. Needed to complete Government's priority programme, time-sensitive.	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.			One year of funding only. Requirement to come back in B22 to complete the programme.
9(2)(i)								
12	Meeting the Operational Costs of a Growing School Property Portfolio	Tier 1 - Risk to service levels and operational arrangements.		-	This initiative will address Education Infrastructure Service' 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 an expanding, multi-billion-dollar portfolio (such as building warrant of fitness, school leasing, insurance, health and safety). Additional funding will be requested in future budgets. Led by the Minister of Education.			

Annex B - Proposed 2021 Budget Package - 22 January 2021

	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
13	Database Upgrades for the School Payroll System to Ensure Reliability and Security	Tier 1 - High risk to service levels and sector relationships. Risks of delay in payment and cybersecurity.	10.000	-	This initiative will provide funding to upgrade the existing Oracle database software used by Education Payroll Limited. This system supports 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. Recent independent reviews by PricewaterhouseCoopers and Enterprise IT found the upgrade as 'crucial' and 'urgent'. This upgrade is required to mitigate the large technical gap in software that carries significant reliability, cybersecurity and reputational risk to the schools' payroll. Funding provides a safe pathway to complete the upgrades while concurrently maintaining the stability of the schools' payroll. Led by the Minister of Education.	10.000		No change. Recent independent reviews by PricewaterhouseCoopers and Enterprise IT found the upgrade as 'crucial' and 'urgent'.
14	Continuing Digital Access for Principals and Teachers	Tier 1 - High risk to service levels and sector relationships.	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.			
#	Tier 2							
15	Implementing the equity index in schools and kura	Tier 2 - High priority with high quality educational outcomes.		4.800	This initiative fulfils a manifesto commitment to replace the decile system with the equity index and [REDACTED]. This will take New Zealand's investment in equity funding from approximately 2.7% [REDACTED] schools' total operational resourcing, [REDACTED]. 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.	320.000	4.800	[REDACTED]
16	Moving towards pay parity in early learning	Tier 2 - High priority with high quality sector outcomes, risk of service disruption in medium-term if teachers are attracted to employment elsewhere.	67.094	-	This Manifesto commitment initiative will provide funding for teacher-led centre-based education and care services to move qualified and certificated teacher pay in these services closer to parity with kindergarten teachers. The initiative will, from 1 July 2021, raise the minimum salary attestation requirement for certificated teachers in conjunction with increases to existing funding bands. Then, from 1 January 2022, services will be able 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.	600.000		[REDACTED]
17	Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy	Tier 2 - Priority initiative with quality educational outcomes.	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.	10.000		No change.

Annex B - Proposed 2021 Budget Package - 22 January 2021

	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
18	Reform of the Tomorrow's School System *curriculum centre costings to be finalised	Tier 2 - Priority initiative with quality educational and sector outcomes. Long-term commitments to create a shift within the education system are at risk.			The aim of this package of initiatives is to commence work to reform our Tomorrow's Schools model and make the shift towards a more networked, responsive and supported education system. It seeks funding to: -establish the Education Service Agency (ESA), including the key leadership structures and core support functions, such as a strategic network management and a flexible fund to enable frontline staff to provide support to the sector. -put in place a fit-for-purpose national curriculum and a coherent system of supports for its delivery across early learning and schooling. This includes updating our national curriculum policy statements, implementing the Aotearoa New Zealand histories content, and developing a national Curriculum Centre. Led by the Minister of Education.	400.000		
19	Ensuring the viability of vocational training	Tier 2 - priority initiative mitigating a risk to service level and sector relationship.	127.388	-	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. This funding is calculated as a one off 5% increase on the total pool of Government funding spent on VET tuition subsidies of the forecast baseline in 2022. This is based off the current forecasts of amount of money expected to be spent on provision at levels 3-7 (non-degree) and all industry training. 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 to support the full implementation of the unified funding system. Led by the Minister of Education.			
20	Addressing Demand Increases for Attendance Services	Tier 2 - Priority initiative with outcomes for specific student groups and relief of demand pressure on existing service.	20.873	-	This initiative funds a critical increase in the number of ākonga that can be reached by the Attendance Service. Over the last 3 years the numbers of learners with chronic absences has grown by 82%. To maintain levels of support and percentage of ākonga supported through the Service, as provided in 2017, an increase of 7,500 places is required. 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. Without regular attendance at school academic outcomes for these ākonga are unlikely to be achieved, and they are more likely than others to be involved with other agencies such as the Police and Oranga Tamariki. Led by the Minister of Education, with Associate Minister of Education, Hon Jan Tinetti.	20.000		No Change.
21	Annual cost adjustment for Schools' Operational Grant	Tier 2 - High priority initiative to maintain the value of current funding at a time when risks to revenue are increased. High sector expectations.	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. CPI is currently forecast at 1.2% and teachers' salaries will increase 3% on 1 July 2021. Schools' operational grant funding covers includes non-teaching staff, teaching support staff, additional teaching staff above their staffing entitlement (66% is spent on salaries). Therefore, an increase of 1.6% is reflective of the expected price pressure facing schools' operational grant funding. 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.	85.000		No change. Cost adjustment in line with expected increases to costs.

Annex B - Proposed 2021 Budget Package - 22 January 2021

	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
22	Annual cost Adjustment for maintaining quality in early learning services	Tier 2 - High priority initiative to maintain the value of current funding at a time when risks to revenue are increased. Risk of rising costs for parents / whānau and in the long-term disruption of service levels as well as sector relationships.	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.	100.000		No change. Cost adjustment (1.2%) in line with expected increases to costs. Note the total amount sought for this bid increased slightly to reflect the need to provide at least a \$0.01 increase to the rate of Targeted Funding for Disadvantage.
23	Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding	Tier 2 - High priority initiative to maintain the value of current funding at a time when risks to revenue are increased. High sector expectations.	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.	112.000		The previous calculation of \$111.782m were provisional calculations that were updated to the current calculation after the HYEPU forecast was completed. This rate was calculated based on a CPI increase of 1.2% applied for forecast delivery volumes at 2021 rates.
24	Funding increase for Alternative Education provision	Tier 2 - High priority initiative to address a decline in real value of funding. Sector relationships at risk.	4.444	-	This initiative will strengthen education provision to the most at-risk young people by addressing the inflationary cost-pressure that Alternative Education (AE) has experienced since 2012 (the last time we fully addressed this pressure). This initiative will increase AE funding by \$1.111m per annum (\$4.444m over four years), allowing a per place rate increase of 5%, from \$11,792 to \$12,38 (\$588 per student place). This will stabilise funding for AE while we redesign the system of support for at-risk ākonga. Led by the Minister of Education, with Associate Minister of Education, Hon Jan Tinetti.	4.444		No change. Cost adjustment in line with inflationary cost pressure experienced since 2012 for Alternative Education.
25	Maintaining interventions for learners who require direct Ministry support	Tier 2 - High priority initiative to maintain service levels, without funding there is a high risk to current service levels.		-	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.			
26	Completing the Reform of Vocational Education – Transition and Integration	Tier 2 - High priority initiative to continue RoVE and improve learner outcomes. Sector relationship at risk.	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 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 will give rise to significant risks for learners, including Māori, Pacific and disabled learners, employers, industry and regions. Led by the Minister of Education.	32.000	14.000	No change. To ensure the successful delivery of the RoVE reforms, as intended by Government, the programme needs to be fully funded.
27	NCEA Change Programme – A Strengthened NCEA for All New Zealanders	Tier 2 - High priority initiative to implement cabinet approved changes and improve learner outcomes.	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 whānau. Led by the Minister of Education.	87.000	8.000	Following Rapid Response (Metis Number: 1246423), bid now includes Development of Gagana Tokelau and Vagahau Niue. This has increased cost by \$5.5m.

Annex B - Proposed 2021 Budget Package - 22 January 2021								
	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
28	Improving the property at State-Integrated Schools	Tier 2 - Priority initiative to improve the schooling environment for non-Ministry owner property.	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.	52.800		No change. This package has been developed in consultation with the Association of Proprietors of Integrated Schools (APIS). APIS have indicated that they are unwilling to accept a reduced level of funding as this does not fall within their expected range.
#	Tier 3							
30	Next steps towards closing the digital divide	Tier 3 - Discretionary initiative with quality learner outcomes from the level of funding.				15.000		
31	Addressing funding inequities in the wānanga sector							

Annex B - Proposed 2021 Budget Package - 22 January 2021

	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
33	Prime Minister's Vocational Excellence Awards	Tier 3 - Discretionary initiative but has a positive outcome.	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. The initiative will fund 90% of eligible schools. . If participation in the Award exceeds this, additional schools will need to be funded at risk by the Ministry. Led by the Minister of Education with the Prime Minister.	4.200		The MVO reflects funding for only 90% of eligible schools.
37	Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate	Tier 3 - Discretionary initiative to maintain sector and community relationships. If funding received for legacy and NEGP projects these can be funded through baseline.			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.			

Annex B - Proposed 2021 Budget Package - 22 January 2021								
	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
#	Other Ministerial Bilaterals							
38	Deliver sustained Professional Learning and Development to embed Tapasā	Tier 4 - This initiative is awaiting discussions between MoF and Min Sio.			This initiative provides funding to purchase the design and delivery of a targeted, sustained professional learning and development (PLD) programme for teachers and leaders in early learning settings and schools with high numbers of Pacific learners to embed the principles and approach of Tapasā, a cultural competencies framework for teachers and leaders of Pacific learners. Led by the Associate Minister of Education, Hon Aupito William Sio.			
40	Supporting Pacific bilingual/immersion education in schooling	Tier 4 - This initiative is awaiting discussions between MoF and Min Sio.	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.			
#	Removed From Package							

Annex B - Proposed 2021 Budget Package - 22 January 2021

	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
45	Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes	This bid has high quality evidence based outcomes for learners but can be deferred to future Budgets without impacting current service levels. This bid doesn't meet the criteria for critical cost pressures nor is it a manifesto commitment.		-	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.			
46	Tertiary Student Hardship Fund for Learners	Funding for this initiative is able to be met by TEC and so will not require a budget initiative.		-	We will provide the Minister’s office with a timeline and outline for a Cabinet paper for submission in mid-February. This would remove it from the Budget process, enabling support to be provided well before Budget day. We have proposed that the Cabinet paper seek approval to use of unspent 2020 Fees-Free funding to create the 2021 Student Hardship Fund for Learners. Led by the Minister of Education.			
			195.700	-				
#	Currently Outside of Package							
47	Ongoing funding for the Ka Ora, Ka Ako (Healthy School Lunches) programme	Partial funding to be sought from the CRRF round				375.000		

Annex B - Proposed 2021 Budget Package - 22 January 2021								
	Initiative Title	Categorisation Tier 1 - Non-Discretionary Tier 2 - High Priority Tier 3 - Discretionary Tier 4 - Awaiting Associate Minister Bilaterals	Proposed 5 year OPEX Total (\$m)	Proposed 10 year CAPEX Total (\$m)	Initiative Description	Dec Bilateral 5 Year OPEX Total (\$m)	Dec Bilateral 5 Year CAPEX Total (\$m)	Initiative Changes Since December Bilateral
48	Funding to Assess School and Ministry Payroll Holiday's Act Compliance	The value of remediation is not currently clear and requires further investigative work. Discussed with Treasury on Wed. 20/01/21. Treasury to update on next steps and options.		-	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		

Fiscal envelope OPEX	
Total for Tier 1 - 2	OPEX CAPEX
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	