



## Education Report: Budget 2021 – Initiative Submission

<b>To:</b>	Hon Chris Hipkins		
<b>Date:</b>	29 January 2021	<b>Priority:</b>	High
<b>Security Level:</b>	Budget Sensitive	<b>METIS No:</b>	1249237
<b>Drafter:</b>	Svenja Gellert	<b>DDI:</b>	04 463 8808
<b>Key Contact:</b>	John Brooker	<b>DDI:</b>	9(2)(a)
<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

### Purpose of Report

This report sets out the Vote Education and Vote Tertiary Education initiatives for Budget 2021 submission as previously discussed with you. The purpose of this paper is for you to:

**Agree** the initiatives and funding levels to be submitted for consideration in Budget 2021.

**Sign** the attached letter to the Minister of Finance to submit the agreed initiatives.

### Summary

- 1 We provided you with Budget 2021 package proposals on 15 and 22 of January [METIS 1248521 and 1248804 refers]. Following advice from your office and taking into account your feedback from the agency meeting on 27 January, we have developed the proposed final Budget package for submission.
- 2 The Minister of Finance has requested initiatives to be submitted by 29 January 2021. This includes the submission of initiative templates into Treasury's CFISnet system as well as the provision of a submission letter to the Minister of Finance. Your office has advised that the submission letter can be provided on Tuesday 2 February due to your COVID-19 portfolio priorities.
- 3 The attached letter seeks to submit 31 education and 6 tertiary education cost pressure or manifesto commitment initiatives, with a five-year operating cost of 9(2)(f)(iv) and a ten-year capital cost of 9(2)(f)(iv) to the Minister of Finance for consideration in the Budget 2021 process.
- 4 The Minister of Finance has advised that he is not prepared to fund the proposed Tertiary Education Student Hardship Fund from savings before Budget 2021 and that if you wish to progress this initiative it would need to be funded from within the 9(2)(f)(iv) allowance he has proposed for your education portfolio.

- 5 The Holidays Act Remediation initiative currently sits outside the proposed 9(2)(f)(iv) Education allowance. While officials are still working on solutions to address the costs, the Treasury has recommended this be submitted to maintain visibility while discussions continue.
- 6 Following advice provided to you on education initiatives funded from the COVID Response and Recovery Fund (CRRF) on 22 January [METIS 1248493 refers], we have made the minor amendments discussed with you on 27 January. In addition, one substantive change in funding that is likely to be returned has been confirmed in relation to the contingency established to address contractual obligations to suppliers arising from the impact of COVID-19. This change returns a further \$56 million to the centre and brings the total proposed for return to \$248.4 million.
- 7 Your report back to the Minister of Finance on the progress of education initiatives funded from the CRRF is required to be included in your Budget 2021 submission letter to the Minister of Finance.

## Recommended Actions

The Ministry of Education recommends you:

- a. **note** that we have provided you with advice on a number of initiatives and discussed with you the overall Budget 2021 package for submission
- Noted**
- b. **agree** the following initiatives be submitted to the Minister of Finance for consideration in Budget 2021

#	Initiative	Funding sought		Submit for Budget 2021 consideration	
		(\$m) opex	(\$m) capex	Submit	Defer
1	9(2)(f)(iv)			<input checked="" type="checkbox"/>	<input type="checkbox"/>
2	Investigating and negotiating Pay Equity Claims	34.394	2.280	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3	Maintaining pay rates for NZQA's Specialist Workforce	10.000		<input checked="" type="checkbox"/>	<input type="checkbox"/>
4	Addressing urgent Treaty commitments to the Wānanga sector	32.250		<input checked="" type="checkbox"/>	<input type="checkbox"/>
5	Transforming the Education Funding System	20.297	34.738	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6	Meeting Cost Increases in Legacy Redevelopment Projects	9(2)(f)(iv)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
7	Funding the Next Phase of the National Education Growth Plan	9(2)(f)(iv)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
8	Property funding to build and expand schools delivering Māori Medium Education	14.392	77.070	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9	Purchasing Land for New Schools	9(2)(f)(iv)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
10	Christchurch Schools Rebuild Programme	17.100	56.000	<input checked="" type="checkbox"/>	<input type="checkbox"/>

11	9(2)(f)(iv)			<input checked="" type="checkbox"/>	<input type="checkbox"/>
12	Meeting the Operational Costs of a Growing School Property Portfolio	9(2)(f)(iv)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
13	Database Upgrades for the School Payroll System to Ensure Reliability and Security	15.000		<input checked="" type="checkbox"/>	<input type="checkbox"/>
14	Continuing Digital Access for Principals and Teachers	12.653		<input checked="" type="checkbox"/>	<input type="checkbox"/>
15	Implementing the equity index in schools and kura	18.108	4.800	<input checked="" type="checkbox"/>	<input type="checkbox"/>
16	Moving towards pay parity in early learning	192.493		<input checked="" type="checkbox"/>	<input type="checkbox"/>
17	Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy	10.000		<input checked="" type="checkbox"/>	<input type="checkbox"/>
18	Reform of the Tomorrow's School System *curriculum centre costings to be finalised	9(2)(f)(iv)	54.904	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19	Ensuring the viability of vocational educational and training	279.508		<input checked="" type="checkbox"/>	<input type="checkbox"/>
20	Addressing Demand Increases for Attendance Services	20.873		<input checked="" type="checkbox"/>	<input type="checkbox"/>
21	Annual cost adjustment for Schools' Operational Grant	84.857		<input checked="" type="checkbox"/>	<input type="checkbox"/>
22	Annual cost Adjustment for maintaining quality in early learning services	100.688		<input checked="" type="checkbox"/>	<input type="checkbox"/>
23	Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding	110.747		<input checked="" type="checkbox"/>	<input type="checkbox"/>
24	Funding increase for Alternative Education provision	4.444		<input checked="" type="checkbox"/>	<input type="checkbox"/>
25	Maintaining interventions for learners who require direct Ministry support	9(2)(f)(iv)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
26	Completing the Reform of Vocational Education – Transition and Integration	33.400	13.850	<input checked="" type="checkbox"/>	<input type="checkbox"/>
27	NCEA Change Programme – A Strengthened NCEA for All New Zealanders	92.513	8.149	<input checked="" type="checkbox"/>	<input type="checkbox"/>
28	Improving the property at State-Integrated Schools	52.800		<input checked="" type="checkbox"/>	<input type="checkbox"/>
29	9(2)(f)(iv)			<input checked="" type="checkbox"/>	<input type="checkbox"/>
31	Addressing funding inequities in the wānanga sector	9(2)(f)(iv)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
33	Prime Minister's Vocational Excellence Awards	4.200		<input checked="" type="checkbox"/>	<input type="checkbox"/>
38	Deliver sustained Professional Learning and Development to embed Tapasā	9(2)(f)(iv)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
39	9(2)(f)(iv)			<input checked="" type="checkbox"/>	<input type="checkbox"/>
40	Supporting Pacific bilingual/immersion education in schooling	20.218	0.644	<input checked="" type="checkbox"/>	<input type="checkbox"/>
43	9(2)(f)(iv)			<input type="checkbox"/>	<input checked="" type="checkbox"/>
46	Extending the temporary Hardship Fund for Learners in tertiary education	9(2)(f)(iv) \$10m		<input checked="" type="checkbox"/>	<input type="checkbox"/>

- c. **agree** to submit a Holidays Act Remediation cost pressure template to Treasury on the understanding that it will be treated outside the Education allowance

Agree / disagree

- d. **agree** that, subject to your decisions in recommendations b. and c., the Ministry finalises the relevant templates for those initiatives and submits these to the Treasury

Agree / disagree

- e. **note** the revised CRRF report indicates a likely return of \$248.4 million, an increase of \$56 million for the current financial year in comparison to the report you received on Friday 22 January

**Noted**

- f. **sign** the attached letter to the Minister of Finance to submit your Budget 2021 package

Agree / disagree

- g. **forward** this report and the attached letter to your associate Ministers for their information

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

Release/Not release

  
John Brooker  
Group Manager  
Education System Policy

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Katrina Sutich  
Group Manager  
Te Ara Kaimanawa

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Chris Hipkins  
Minister of Education

29/1/2021



## Background

- 1 On 15 and 22 January, the Ministry provided you with a high-priority package of initiatives for Budget 2021 to fit within the 9(2)(f)(iv) fiscal allowance proposed by the Minister of Finance. We received feedback from your office and the package was also discussed at the agency meeting with you on 27 January.
- 2 The revised proposed package was initially due to be submitted to the Minister of Finance along with uploading of initiatives into CFIS by 29 January, 5pm. Your office has advised that the Minister of Finance's office has agreed on an extension for the Education Budget package to be submitted on 2 February.

## Budget Package for Submission

- 3 The revised package reflects high priority investment areas in education from Early Learning through to Schooling and Tertiary Education, including for those learners not well served by the current system. It also takes into account the discussions at your agency meeting of 27 January.
- 4 The revisions to the package are:
  - The equity index: The initiative proposes seeking the set-up/system funding now and going back for the funding to the sector in Budget 2022. The implementation date remains 1 January 2023.
  - Early learning pay parity: A bid of \$192.5 million is proposed. This would provide for an opt-in model for services paying staff equivalent of up to Step 6 on the Kindergarten Teachers Collective Agreement plus a pro-rated contingency for Kohanga Reo funding to allow us to work with them to manage the flow-on impacts.
  - Viability of vocational education and training: A revised \$280 million bid has been submitted which better manages the outyears profile but still provides an uplift in funding of 5% from 2022 and a further 8% from 2023.
  - Tomorrow's Schools bid: As noted in our paper submitted last Friday the Curriculum Centre Costs were still being finalised. These have come in at \$17 million lower meaning the final cost of this bid is 9(2)(f)(iv)
  - Pacific education bids. In line with the discussion on Wednesday evening, we have included these bids in the Education package to submit to the Minister of Finance. The order in which they are listed in the attached annex reflects our understanding of Minister Sio's priorities.
- 5 The impact of these changes in relation to the Budget envelope (particularly the early learning pay parity bid and the lower curriculum centre costs) means that the total package would have come in at 9(2)(f)(iv) \$26 million under the allowance. After further discussions with your office we recommend the following additions to the package to bring it closer to the 9(2)(f)(iv) allowance:
  - 9(2)(g)(i), 9(2)(f)(iv)
  - Tertiary Student Hardship Fund. As noted above the Minister of Finance is not prepared to fund this through underspends before Budget 2021. We therefore propose you seek it as part of your Budget 2021 package. We recommend a

slightly scaled amount of 9(2)(f)(iv) be sought to help balance the Budget package within the 9(2)(f)(iv) allowance. Note the sector still holds some \$4.6 million from the previous fund which it can use to support students in financial need at the start of the 2021 academic year.

- 6 We have made one other minor change to the package. We are proposing to shift \$5 million of the agency funding for the Holidays Act remediation process into the Payroll cost pressure (#13). The Ministry only has agency funding until June 2021 for this critical piece of work, and we consider the risk of it being left to the process we are going through with Treasury to find other funding options for the Holidays Act remediation is too high. Note this has the corresponding impact of reducing the placeholder bid for the Holidays Act (sitting outside your Budget allowance) by \$5 million.
- 7 Officials are still working on solutions to address Holidays Act remediation costs in the education sector. Treasury has recommended that the Holidays Act remediation costs be submitted outside of the allowance at this time to maintain visibility while discussions continue concerning the ultimate funding source for this initiative.
- 8 The Ka Ora, Ka Ako (Healthy School Lunches) programme is still considered to sit outside the proposed Education allowance.

#### COVID Response and Recovery Fund Report

- 9 The Ministry provided you with the report back on the implementation and progress of initiatives funded through CRRF on 22 January, which is required to be included in the letter to the Minister of Finance when submitting the Budget package.
- 10 The letter to the Minister of Finance includes detail on six initiatives of particular interest for the Budget 2021 process.
- 11 Of the initiatives funded by the CRRF, a revised total of \$248.4 million likely to be returned has now been confirmed. This includes:
  - a. Changes for the *Contingency: Critical Funding to Address Supplier Contractual Obligations Arising from the Impact of COVID-19*, results in an additional return of \$56 million,

Current evidence indicates that the construction industry has handled the COVID-19 disruption and impacts throughout and shortly after lockdown much better than many economic specialists predicted. However, all indicators point to a continuing disruptive market, particularly in areas of materials and labour. The Ministry expects continuing cost pressures throughout 2021 until border restrictions are eased, allowing trade to flow more freely and the wider construction sector to return to a more stable market.

The Ministry has recently updated the financial risk model for the potential impacts of COVID-19 on the Education construction market. Based on this provisional modelling, we recommend:

1. revising the contingency fund to \$51 million total (reduced from \$107 million, returning a further \$56 million)
2. revising the timescale for the contingency to 30 June 2022 (a report will be provided to you and the Minister of Finance seeking approval of this).

- b. An \$8.8 million underspend is anticipated to be returned for the Ongoing Resourcing Scheme initiatives. This will be confirmed mid-March. The one-off underspend does not reflect any changes in the core cost pressure that was addressed through the permanent increase in annual funded hours. This underspend is included in the \$248.4 million proposed for return in paragraph 11 above.
- 12 The changes in paragraph 11 above have been included in the updated letter for the Minister of Finance and in the detailed templates that we are required to submit to the Treasury.

### Next Steps

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- 13 As discussed with you on Wednesday, the Ministry has begun to lodge the agreed unchanged budget initiatives with the Treasury. The remaining initiatives where we are seeking your confirmation in this report will need to be submitted on Tuesday 2 February.
- 14 You will need to provide the attached letter to the Minister of Finance to formally notify him of your proposed education budget package. Your office has advised you can submit this letter on Tuesday 2 February.
- 15 We anticipate further discussions with the Treasury and Minister of Finance will occur in February and March, with the overall Budget package expected to be agreed by Cabinet in mid-April.

### Proactive Release

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- 16 We recommend 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

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- Annex A: Letter to Minister of Finance
- Annex B: Indicative Education 2021 Budget Package

All redactions are made under 9(2)(f)(iv) of the OIA unless otherwise stated

**Hon Chris Hipkins**

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



1 February 2021

Hon Grant Robertson

Parliament Buildings

WELLINGTON

Dear Grant,

As discussed at our meeting on 17 December, I am pleased to provide you my Budget 2021 submission for the Education portfolio. As requested, I have applied strict discipline to work within the constrained fiscal environment facing the Government at this time. I have revised the proposed package that was presented to you from the initial [REDACTED] to fit within the [REDACTED] allowance indicated in your letter.

This letter:

1. Indicates my proposed approach to phasing initiatives, including manifesto commitments,
2. Sets out the significant scaling of other initiatives and shows the removal of several others from the December package,
3. Identifies initiatives outside of the allowance i.e., Funding for School Lunches and Holidays Act,
4. Provides additional detail on six of the COVID-19 Response and Recovery Fund (CRRF) initiatives of particular interest for the Budget 2021 process.

The package includes the following specific initiatives that you raised:

- Preparing for the implementation of equity index for schools and kura,
- Early Learning Pay Parity and
- Wage Bargaining.

Overall, the package balances the need to address the most critical cost pressures, make progress on the highest priority manifesto commitments and continuing to advance the Government's commitment to support positive educational outcomes for learners. A number of initiatives in the overall package will provide benefits to Māori and Pacific learners and lower-income communities, examples include Ka Ora, Ka Ako (Healthy School Lunches) programme, Reform of the Tomorrow's School System, access to meaningful learning for Pacific learners through three targeted initiatives, and preparing for the implementation of the equity index for schools and kura to hasten its implementation in 2022/23.

This package has been carefully developed in consultation with Associate Education Ministers to come within the allowance that you offered on 17 December. There are further critical education priorities and cost pressures that are not included. [REDACTED]

[REDACTED] If you were to seek further scaling or deferral of the initiatives in the current package, then I would look to redirect any funding released into areas such as these.



## Phasing of initiatives

The package involves the phasing of some initiatives which minimise transition costs to ensure they are implementation-ready. This meets your expectation that Ministers avoid seeking short-term, time-limited funding to fit allowances. The exception to this is the education infrastructure package where we have focused on completing the next 1-2 years of developments while a long-term funding approach is developed by Ministry of Education and Treasury officials.

### *Phasing three manifesto commitments*

Implementing the **Equity Index for schools and kura**. We discussed this manifesto commitment at our bilateral meeting. As I indicated, I am proposing a later implementation date (1 January 2023). For Budget 2021 I am seeking the system build funding to enable the supporting systems to be developed to implement the index. I propose to seek the funding to go to schools under the new index in Budget 2022, in line with the later commencement date. Please note, also as discussed in December, I propose to delay the implementation of equity index in early learning as it is still in development. This reduces the call on Budget 2021 to \$18.1 million opex and \$4.8 million capex.

The **Early Learning Pay Parity Initiative**. I am proposing we take a significant first step to address this high priority area in Budget 2021. I have submitted a bid of \$192 million over 4 years. 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 six on the Kindergarten Teachers' Collective Agreement. An initial investment of \$192 million releases \$408 million from the package presented in December. Given the size of the challenge in finally closing the pay gap in early learning, we will need to continue to invest in this area in Budgets 2022 and 2023, in line with our fiscal plan.

A phased approach has been taken to the **Tomorrow's Schools initiative**. This reduces the funding sought in Budget 2021 to [REDACTED] (as opposed to the \$400 million sought in December). The initiative would seek funding for the key enabling components, such as the establishment of the Education Service Agency and a Curriculum Centre and its associated work programme. This also allows for a strengthened Network Management function where legislative obligations apply (for example, network planning for early learning and the Māori Education network plan). These changes would put in place the building blocks needed to get us to the more networked, responsive and supported education system we are after. In comparison to a full bid of \$400 million it defers some components of the multi-year change programme that are not phased to be introduced until 2023 or later (allowing them to be funded from a subsequent Budget).

### *Other significant items*

#### *Completing the Reform of Vocational Education (RoVE)*

Completing the Reform of Vocational Education remains one of my highest priorities. Accordingly, I have submitted a cost pressure initiative (**Ensuring the viability of vocational education and training – \$280 million**) to address the most immediate cost pressure needs of the vocational education and training (VET) sector and to help ensure its ongoing viability.

This initiative increases the vocational education and training baseline in two stages with a 5% increase from 2022, followed by a further uplift of 8% in 2023. This is necessary to achieve the outcomes we are seeking from RoVE, and to mitigate financial distress across the system due to a history of low increases in funding rates over many years. The commitment of this funding now will start to get sector back on track. I intend to seek Cabinet decisions on the design of the unified funding system for vocational education in the coming months. I am also submitting a cost pressure initiative to ensure education agencies are adequately resourced to complete the successful implementation of RoVE. The funding sought is consistent with the recommendations of the recent Gateway review of the RoVE programme.

## Education Infrastructure

In line with your letter to me after our bilateral discussion in December, the **Education infrastructure** package reflects the funding required to continue the next 1-2 years of development and maintain progress towards our 2030 condition and growth targets while Ministry and Treasury officials work on the long-term funding approach. This reduces the call on Budget 2021 funding from 9(2)(j)

My officials will continue to work with the Treasury on the long-term funding arrangements and suggest we jointly report back to Cabinet on this in the middle of the year.

## Wānanga

In your letter to Hon Kelvin Davis after your Budget bilateral late last year you invited him to submit an initiative to progress the Wānanga programme as part of strengthening Māori Crown relationship across Government and upholding Treaty commitments. You also indicated this should be part of the Education portfolio budget. This is something we have worked on jointly and we are seeking funding for two cost pressure initiatives relating to wānanga.

- The first initiative (**Addressing Urgent Treaty Commitments to the Wānanga Sector – \$32.25m**) seeks to maintain current wānanga research capability funding and extend current interim support funding to all three wānanga. This addresses the Crown's Treaty obligation to actively protect wānanga as a system of delivery, including supporting their critical role in protecting and revitalising mātauranga Māori and te reo Māori.
- The second initiative (**Addressing Funding Inequities in the Wānanga Sector –**

## Significant scaling applied to other initiatives

Within the overall saving shown above, I have released by scaling the following.

1. Addressing Demand Increases for Attendance Services
2. Maintaining interventions for learners who require direct Ministry support
3. Continuing Digital Access for Principals and Teachers
4. Maintaining pay rates for NZQA's Specialist Workforce
5. The Mangere Refugee Centre – Absorbed into the NEGP
6. Addressing funding inequities in the Wānanga Sector
7. Support Pacific bilingual/immersion education in schooling
8. Deliver sustained Professional Learning and Development to embed Tapasa
- 9.
10. Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes
11. Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate

## Removed Items

Within the overall saving shown above, I have released by removing the following from Budget 2021 with a view to reconsidering them in Budget 2022. While these items remain important priorities or cost pressures for the education sector, I consider the risks of not funding them are more manageable than the corresponding risks for the higher priority initiatives I have included. The removed items are:

### Initiatives that are outside of the allowance

The Ka Ora, Ka Ako (Healthy School Lunches) programme, and Holidays Act items sit outside the proposed Education allowance:

1. Following our bilateral discussion, it is proposed to meet the first two years of The Ka Ora, Ka Ako (Healthy School Lunches) programme through the COVID Response Recovery Fund (CRRF). My officials are working with the Treasury to develop a Cabinet Paper to this end.
2. Our officials are still working on solutions to address the Holidays Act remediation costs in the education sector. Treasury 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.

### Total amount of funding sought for this portfolio

Operating Funding Sought (\$m)	2020/21		2021/22		2022/23		2023/24		2024/25 & outyears		Total
Capital Funding Sought (\$m)	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Total

### Total sought for cost pressure initiatives

Operating Funding Sought (\$m)	2020/21		2021/22		2022/23		2023/24		2024/25 & outyears		Total
Capital Funding Sought (\$m)	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Total

The critical cost pressure initiatives I am submitting are:

9(2)(j)

- Investigating and negotiating Pay Equity Claims
- Maintaining pay rates for NZQA's Specialist Workforce
- Addressing urgent Treaty commitments to the Wānanga sector
- Transforming the Education Funding System
- Meeting Cost Increases in Legacy Redevelopment Projects
- Funding the Next Phase of the National Education Growth Plan
- Property funding to build and expand schools delivering Māori Medium Education
- Purchasing Land for New Schools
- Christchurch Schools Rebuild Programme

## 9(2)(j)

- Meeting the Operational Costs of a Growing School Property Portfolio
- Database Upgrades for the School Payroll System to Ensure Reliability and Security
- Continuing Digital Access for Principals and Teachers
- Ensuring the viability of vocational training
- Addressing Demand Increases for Attendance Services
- Annual cost adjustment for Schools' Operational Grant
- Annual cost Adjustment for maintaining quality in early learning services
- Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding
- Funding increase for Alternative Education provision
- Maintaining interventions for learners who require direct Ministry support
- Completing the Reform of Vocational Education – Transition and Integration
- NCEA Change Programme – A Strengthened NCEA for All New Zealanders
- Improving the property at State-Integrated Schools
- Addressing funding inequities in the wānanga sector
- Prime Minister's Vocational Excellence Awards
- Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate
- Tertiary student hardship fund for learners
- Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes
- Funding to Assess School and Ministry Payroll Holiday's Act Compliance

### Total sought for manifesto commitment initiatives

Operating Funding Sought (\$m)	2020/21		2021/22		2022/23		2023/24		2024/25 & outyears		Total
Capital Funding Sought (\$m)	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Total

The manifesto commitments that I am submitting are:

- Implementing the equity index in schools and kura
- Moving towards pay parity in early learning
- Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy
- Reform of the Tomorrow's School System

- Supporting Pacific bilingual/immersion education in schooling
- Deliver sustained Professional Learning and Development to embed Tapasā

The first four of these initiatives are part of Labour's Education Policy.

The Pacific initiatives above would support the outcomes sought in the 'Pacific Peoples' section of our Manifesto. I have worked on both of these areas with my Associate Ministers and they support these bids.



## Progress on COVID-19 Response and Recovery Fund initiatives

The Vote Education and Vote Tertiary Education component (Opex and Capex) of the CRRF consists of three packages supporting 37 initiatives, valued at \$3.3 billion over four years and \$1.19b in the 2020/21 fiscal year:

- Urgent CRRF funding, valued at \$117.4 million
- CRRF Foundation Package [CAB-20-MIN-0219.09 refers], valued at \$2.9 billion
- CRRF July Package [CAB-20-MIN-0328.09 refers], valued at \$285.0 million.

*The following table reflects the most accurate funding information to date*

CRRF	Total Funding Allocated	Funding Allocated in 20/21	Funding spent to date	Forecast further spending by June 21	Funding Returned or already reprioritised	Likely to be returned
\$	\$3.3 billion	\$1.199 billion	\$306.0 million	\$611.3 million	\$33.3 million	\$248.4 million
%			25%	51%	3%	21%

In terms of the \$1.199 billion allocated for Vote Education and Vote Tertiary Education for the 2020/21 financial year:

1. \$306.0 million (25%) has been spent as of 31 December 2020
2. \$476.7 million (40%) has been contracted to be spent by the end of the 2020/21 financial year, in addition to the actual expenditures
3. \$134.6 million (11%) is progressing as expected by 30 June 2021
4. \$7.7 million (0.6%) has already been returned
5. \$25.6 million (2%) was transferred by fiscally neutral adjustment approved by Cabinet from Providing School Lunches to Providing Access to Free Period Products in Schools and Kura.
6. \$248.4 million (21%) can likely be returned.

### **Initiatives of Interest**

I would like to highlight the progress of some initiatives that may be of particular interest to you for Budget 2021.

#### ***Contingency: Critical Funding to Address Supplier Contractual Obligations arising from the Impact of Covid-19***

Current evidence indicates that the construction industry has handled the COVID-19 disruption and impacts much better than many economic specialists predicted throughout and shortly after lockdown. However, all indicators point to a continuing disruptive market, particularly in areas of materials and labour. The Ministry expects continuing cost pressures throughout 2021 until border restrictions are eased, allowing trade to flow more freely and the wider construction sector to return to a more stable market.

The Ministry has recently updated the financial risk model for the potential impacts of COVID-19 on the Education construction market. Based on this provisional modelling, Annex A outlines the request to:

1. Revise the contingency fund to \$51 million total (reduced from \$107 million, returning \$56 million)
2. Revise the timescale for the contingency to 30 June 2022

#### *Operating Contingency: Targeted Support for Pacific Learners and Families*

Significant progress has been made in this area since the November report back. This initiative will be fully spent by the end of the financial year. Applications to the Funds were oversubscribed. The \$6.6 million Pacific Education Support Fund received 130 applications worth \$7.8 million. The \$6 million Pacific Innovation Fund received 194 applications worth \$15.6 million. Funding agreements are being finalised by the end of January 2021 and all funds are expected to be disbursed by June 2021.

#### *Operating Contingency: Sustaining the Early Learning Network*

Of the \$206 million allocated to this initiative, \$171.6 million is likely to be available for return. A second round of applications for the \$30 million Sustainability Fund closes 30 April 2021. An underspend is anticipated, but the amount is currently unspecified. A request has been submitted to the Ministers of Education and Finance to extend the operating contingency expiry date until 31 March 2021 to enable consideration of remaining contingency as part of the Budget 2021 process (METIS 1244100 refers).

#### *Mitigating the Impacts of Socioeconomic Disadvantage: School Lunches*

The programme started delivery in 740 schools, impacting 170,000 students from Term 1, 2021. This initiative has contracted to spend \$86.8 million of its original \$106.9 million allocation; Cabinet has approved a fiscally neutral adjustment of \$25.642 million to fund the Access to Free Period Products in Schools And Kura initiative. The programme is seeking a \$1.5 million in-line transfer to 2021/22. Supporting Māori Learners and Te Reo Māori Post COVID-19

This \$60 million initiative supports six workstreams. There has been a request to transfer \$4.2 million in-line to 2021/22 across three initiatives, Te Ahu o te Reo Māori, Te Aho Ngārahu, and Rauemi. We also agreed in November to reprioritise \$11.577 million of this funding to foundational te reo Māori curriculum supports and resources.

The Support for Māori Learners and Whānau to Reconnect with Education Services programme is underway with necessary approvals pending. Te Ahu o te Reo Māori programme is contracting providers and developing a national promotion campaign to boost registrations. Te Kawa Matakura is in the process of delivering the Diploma in Mātauranga ā-iwi and establishing a Bachelor of Mātauranga ā-iwi qualification. Procurement is being finalised for Kura Whānau Reo, Rauemi, and Te Aho Ngārahu programmes. I therefore expect this funding to largely spend out in the 2020/21 financial year.

#### *Ongoing Resourcing Scheme (ORS)*

For 2020/21, \$63.79 million funding for ORS was provided through two budget bids. This funding provided: a permanent increase of 3 hours a week on average per ORS student (\$24.69 million per annum), a one-off COVID response fund of \$31 million for 2020/21 only (funded from both bids) and \$8.1 million to fund Teacher Aide Pay Equity Claims related to both sets of activities. The COVID ORS Response Fund Phase 1 distributed \$18.6 million funding directly to schools with ORS-verified students in October 2020. Phase 2 of the ORS response fund is budgeted to pay \$12.4 million from Term 1, 2021 and, consequently, is expected to be partly underspent.

An anticipated underspend of \$8.8 million in 2020/21 across both budget bids is likely to be returned. This one-off underspend does not reflect any change in the core cost pressure that was addressed through the permanent increase in annual funded hours. This amount is included in the \$248.4m of funding to be returned above. Up to [REDACTED] of phase 2 of the one-year COVID Response Fund may not be spent based on applications received to date. The

funding can only be spent on Teacher Aide hours and it appears that, in many cases, schools have fully subscribed their available temporary workforce to boost provision. In addition, we expect an underspend reflecting a lag in uptake of the higher permanent funding levels. This reflects the time required to review individual education plans across the whole cohort of 10,000 verified students. We will need all of the permanent funding allocated in subsequent years.

I look forward to discussing my proposed package with you.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'CH', representing Hon Chris Hipkins.

Hon Chris Hipkins  
Minister of Education

Indicative Education 2021 Budget Package (items are as per MoE 22 Jan unless highlighted in orange)				
MoE#	Tier 1 - Non-Discretionary 2 - high priority 3 - Discretionary	Initiative Title	5 year OPEX Total (\$m)	Current 10 year CAPEX Total (\$m)
#	Tier 1			
1	Tier 1	9(2)(i)		
2	Tier 1	Investigating and negotiating Pay Equity Claims	34.394	2.280
3	Tier 1	Maintaining pay rates for NZQA's Specialist Workforce	10.000	
4	Tier 1	Addressing urgent Treaty commitments to the Wānanga sector	32.250	
5	Tier 1	Transforming the Education Funding System	20.297	34.738
6	Tier 1	Meeting Cost Increases in Legacy Redevelopment Projects		
7	Tier 1	Funding the Next Phase of the National Education Growth Plan		
8	Tier 1	Property funding to build and expand schools delivering Māori Medium Education	14.392	77.070
9	Tier 1	Purchasing Land for New Schools		
10	Tier 1	Christchurch Schools Rebuild Programme	17.100	56.000
11	Tier 1			
12	Tier 1	Meeting the Increased Operational Costs for an expanding multi-billion-dollar School Property Portfolio		
13	Tier 1	Database Upgrades for the School Payroll System to Ensure Reliability and Security	15.000	
14	Tier 1	Continuing Digital Access for Principals and Teachers	12.653	
	Total Tier 1			
#	Tier 2			
15	Tier 2	Implementing the equity index in schools and kura	18.108	4.800
16	Tier 2	Moving towards pay parity in early learning	192.493	
17	Tier 2	Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy	10.000	
18	Tier 2	Reform of the Tomorrow's School System (with updated curriculum centre costings )		54.904
19	Tier 2	Ensuring the viability of vocational education and training	279.508	
20	Tier 2	Addressing Demand Increases for Attendance Services	20.873	
21	Tier 2	Annual cost adjustment for Schools' Operational Grant	84.857	
22	Tier 2	Annual cost Adjustment for maintaining quality in early learning services	100.688	
23	Tier 2	Annual Cost Adjustment to Tertiary Tuition and Training Subsidies	110.747	
24	Tier 2	Funding increase for Alternative Education provision	4.444	
25	Tier 2	Maintaining interventions for learners who require direct Ministry support		
26	Tier 2	Completing the Reform of Vocational Education – Transition and Integration	33.400	13.850
27	Tier 2	NCEA Change Programme – A Strengthened NCEA for All New Zealanders	92.513	8.149
28	Tier 2	Improving the property at State-Integrated Schools	52.800	
29	Tier 2			
	Total Tier 2			
	Combined Tier 1 & Tier 2			
31	Tier 3	Addressing funding inequities in the wānanga sector	9(2)(i)	-
33	Tier 3	Prime Minister's Vocational Excellence Awards	4.200	-
40	Pacific	Supporting Pacific bilingual/immersion education in schooling	20.218	0.644
38	Pacific	Deliver sustained Professional Learning and Development to embed Tapasā		
39	Pacific			
46	Tertiary	Student Hardship Fund		-
43	Learning Support			
	GRAND TOTAL			
	Outside	Holiday's Act	277.500	-