MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

# Education Report Second Budget Bilateral 2021

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| **To:** | Hon. Chris Hipkins, Minister of Education | | |
| **Date:** | 12 March 2021 | **Priority:** | Low |
| **Security Level:** | Budget Sensitive | **METIS No:** | 1251978 |
| **Drafter:** | René Versteegh | **DDI:** | 04 463 7971 |
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| **Messaging seen by Communications team:** | N/A | **Round robin:** | No |

## Purpose of Report

This Briefing Note provides you with advice on your education portfolio package for Budget 2021 in advance of your second Budget 2021 Bilateral with the Minister of Finance on 17 March 2021. We can prepare an annotated agenda and speaking points to support you at the bilateral, once the scope of the likely discussion is clearer

## Recommendations

The Ministry of Education recommends you:

a. **agree** that the Ministry finalise an annotated agenda with the Treasury in preparation for the bilateral.

**Agree / Disagree**

b. **indicate** whether you would like speaking notes from the Ministry to support your second bilateral.

**Yes / No**

c. **do not release** this report at this time as the information contained within is budget sensitive.

**Release / Do not Release**

Dr Andrea Schöllmann
**Deputy Secretary**
**Education System Policy**
12/3/21

Andy Jackson
**Deputy Secretary**
**Te Ara Kaimanawa**
12/3/21

Hon Chris Hipkins
**Minister of Education**

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## Executive Summary

Budget 2021 is operating in a tight fiscal context with a focus on pressing manifesto commitments and critical cost pressures. A [redacted] allowance for education initiatives was proposed to you by the Minister of Finance in his letter dated 21 December 2020. You submitted a package of initiatives within this [redacted] allowance in late January. In addition to the [redacted] allowance, a Holiday's Act remediation initiative was submitted at a cost of $277.5m and a Cabinet paper is being prepared to continue funding for the School Lunches programme. Since the package was submitted, Ministers have commissioned advice on increasing student support rates as a Budget 2021 initiative. While we expect this would sit outside the education portfolio allowance, it nonetheless may add to the pressure to scale the education portfolio package.

The second Bilateral discussion provides an opportunity to discuss the necessity and benefits of the proposed education package with the Minister of Finance. It also provides the opportunity for you to outline the consequences and risks of deferring or scaling initiatives from Budget 2021 and highlight pressures that will need to be addressed in Budget 2022 and Budget 2023.

The Budget process has seen significant calls on both the overall operating allowance for Budget 2021 and the Multi-Year Capital Allowance across government. To balance these pressures, we anticipate the Minister of Finance may ask you to scale back your package or fund other commitments such as the Student Support or Holiday's Act from within it. To facilitate a discussion on possible further scaling options we have developed a scaled back Budget scenario for discussion with you at the Agency meeting on Monday 15 March 2021.

## Second Budget Bilateral

1. Several themes have been identified for discussion at the second bilateral: the general budget package, manifesto commitments, particularly early learning pay parity and Tomorrow's schools, vocational education and training, Māori education, Pacific education, and continued investment in the school property portfolio. Progress on education initiatives funded from the COVID-19 Response and Recovery Fund (CRRF) will likely also be raised.

2. This education report is therefore shaped to prepare you for this discussion. To support the discussion a scaled back Budget scenario is attached in Appendix A.

**Context of the Budget Package**

3. At your first Bilateral, the Minister of Finance invited you to submit a package of education portfolio investments within an allowance of [redacted]. Considering the tight fiscal context, this represents a modest and appropriate investment in the education sector. This package is approximately [redacted] This package invests in critical cost pressures, allows continued investment towards the National Education Growth Plan (NEGP) and National Schools Redevelopment Plan (NSRP), and facilitates significant first steps towards meeting manifesto commitments.

4. An additional $277.5 million was submitted outside of the [redacted] allowance for Holiday's Act remediation. We understand there is significant pressure across government agencies on the total operating allowance for Budget 2021. To help meet these pressures the Minister of Finance may ask for the Holiday's Act to be funded from within the [redacted].

5. We are aware Ministers are considering changes to increase student support rates as a Budget 2021 initiative. We previously costed an increase to student living supports by $25 as part of the COVID-19 Wave Three process. The operating cost was around [redacted] per year with a total operating expenditure of [redacted] over four years. The capital cost over ten years was [redacted]. This costing had a different start date within the year and was based on having few fewer learners in the system so we expect the new costs will be higher. We will provide updated costings for the 1 April 2022 start date to your office before your bilateral next Wednesday.

6. The Treasury budget team have given advice to the Minister of Finance proposing deep scaling. Their advice proposes nearly [redacted] of operating expenditure and nearly [redacted] of capital expenditure be removed from the education package. Therefore, we want to have a discussion with you to establish a clear view of where trade-offs are acceptable prior to the Bilateral. Challenging decisions will need to be made to meet a scaled back package size. To facilitate a discussion, we have developed a scaled back Budget scenario attached as Appendix A.

7. Appendix A includes a list of the budget initiatives submitted to the Treasury in January, including scaling options provided by us, and commentary on the risks of scaling each initiative.

**Manifesto Commitments in Budget 2021**

8. The scope of Budget 2021 calls for Manifesto Commitments and Critical Cost Pressures. Manifesto Commitments are predominantly (but not exclusively) new spending in the system, with Critical Cost Pressures necessary to maintain existing services levels. Therefore, we anticipate Manifesto Commitments may be treated as more discretionary, with options for deferral and scaling, so this is where your discussion may focus.

***Pay Parity in Early Learning***

9. This initiative represents a sizeable investment in a Manifesto Commitment and is anticipated to come under scrutiny to understand why this initiative cannot be scaled or deferred to future budgets.

10. To meet this manifesto commitment, the fiscal plan set aside $600 million across three budgets. The current initiative size would leave two-thirds of this commitment to meet out of Budget 2022 and Budget 2023, further scaling of this initiative would increase this future pressure.

11. However, should scaling be required to accommodate other investment in the package, there are options available for Pay Parity in Early Learning. For example, in this Budget we are seeking parity with six steps of the Kindergarten Teachers, Head Teachers, and Senior Teachers Collective Agreement 2019 – 2022 (KTCA), reducing this to five steps lowers the cost by around $40 million over four years. Alternatively reducing this to four steps could save an additional $40 million reducing the total initiative to $110 million.

12. The Treasury budget team have advised the Minister of Finance that this initiative should not be funded in Budget 2021. However, a reduced investment would still provide for a meaningful implementation of the pay parity process, while also enabling investment elsewhere in the education system. Furthermore, progress this year will reduce the pressure created on future Budgets.

***Reform of the Tomorrow's Schools System***

13. This initiative represents a sizeable initial investment in a Manifesto Commitment costed at $400 million in the fiscal plan.

14. You have instructed work to begin on the Reform of the Tomorrow's Schools System, with planning under way on what this could look like and how this could be implemented. Funding certainty is necessary to progress this work. This presents a major reform of how the education system works and how the Ministry interacts with the sector.

15. Again, as set out in the fiscal plan, this is likely to require investment over a number of Budgets. The bid submitted in January [redacted] million of operating over four years and $55m of capital) allows us to put the critical building blocks in place, such as the Education Service Agency, Curriculum Centre and associated work programme and Network Planning. These structural changes have significant lead in times, so it is important to invest early.

16. While it is possible to further scale or defer elements of this initiative in Budget 2021, this may lead to delays in reforms due to a lack of certainty that sufficient funding is available to complete components of the overall programme. [redacted]

17. The Treasury budget team have advised the Minister of Finance of a heavily scaled initiative totalling $172 million of operating expenditure and $55 million of capital expenditure. Meeting this substantially lower figure would require deferring or scaling significant components of the Reform, slowing progress and delaying benefits.

18. We have identified alternative scaling options (detailed in Appendix A). This would reduce the bid amount to [redacted] million. The main impact of this change would involve scaling back the [redacted] and meeting more of the ESA costs from within baselines.

***Vocational Education and Training***

19. Completing the Reform of Vocational Education (RoVE) is a core manifesto commitment. An investment in the Vocational Education and Training (VET) System is sought to address previous under-funding and provide the basis for the unified funding system for VET, the final core component of the RoVE.

20. The VET bid as submitted seeks $279.5m to deliver a 5% increase to funding in 2022, followed by an 8% increase in 2023. This could be reduced to a "5 + 5" approach, costing $222.5m. However, this would likely require seeking additional funding from Budget 2022 to achieve our objectives for RoVE, particularly better support for learners to engage in work-based learning.

21. The Treasury budget team have advised the Minister of finance to scale this initiative to create a one-off 5% increase in funding, rather than the two proposed increases. This reduces the initiative to $137 million, which would be insufficient to address the ongoing impact of past underfunding and would require significant further funding to be sought in Budget 2022. It would also delay the transformational changes we need to achieve from RoVE to support employers and communities to recover from the impacts of COVID-19.

**Wānanga**

22. Minister Davis was invited to submit the wānanga initiatives to support the role of wānanga in Māori education. Similar to the VET sector, insufficient increases in tuition and training funding for wānanga over a number of years have severely constrained their ability to deliver their legislative role.

23. Two investments in wānanga are included in the education package. The first initiative avoids a fiscal cliff and provides interim support to wānanga giving effect to the unique role they have under the Education and Training Act 2020 to maintain, advance, and disseminate knowledge of Māori tradition and custom. 9(2)(j) [redacted] The Treasury budget team have not supported either initiative in advice to the Minister of Finance.

24. 9(2)(g)(i) [redacted]

**Māori Learners**

25. The education system strives to deliver improved outcomes for Māori learners. In addition to the wānanga initiative invited from Minister Davis thirteen initiatives have been identified as positively impact Māori learners. For example, [redacted], Property funding to build and expand schools delivering Māori Medium Education, and the wānanga initiatives discussed above.

26. [redacted]

27. Investing in Property funding to build and expand schools delivering Māori Medium Education provides for the planning, design, and construction of a number of property projects within Māori Medium Education. This includes provision for roll growth classrooms and building new schools for Kura, creating quality learning environments appropriate for Māori learners.

28. The Treasury budget team has given advice to the Minister of Finance proposing significantly reduced investment in Property Funding for Schools Delivering Māori Medium, and [redacted] and no support for the wānanga initiatives. This would reduce and delay the direct investment necessary to support Māori outcomes and attainment, and so we do not think this is tenable.

**Pacific Learners**

29. The education system strives to deliver improved outcomes for Pacific learners. Minister Sio was invited to submit three initiatives providing direct investment into Pacific education.

30. [redacted] We would not recommend further scaling of the individual Pacific initiatives. You may wish, however, to have a discussion with Minister Sio about his priorities across the three Pacific initiatives, with a view to possible deferral of lower priority initiatives. The Treasury budget team have indicated to the Minister of Finance no support for the three Pacific education initiatives.

**Continued Investment in the School Property Portfolio**

31. The Ministry has submitted a package of non-discretionary and high-priority initiatives to continue investment in its key Government property programme commitments. This package includes funding for the National Education Growth Plan (NEGP), school property upgrades, land for new schools, targeted investment in Māori Medium provision, a one-off package for state-integrated

schools, the Christchurch Schools Rebuild (CSR) programme and the co-location of Marlborough Boys' and Girls' Colleges.

32. The level of funding sought in Budget 2021 keeps these key programmes going for another year while programme settings are agreed with Cabinet to provide funding certainty to deliver on Government commitments to 2030.

33. Budgets 2018 to 2020 and the NEGP (Budget 2019) allowed us to address the significant amount of current demand in high growth areas. We are tracking well, having already funded around 44,189 student spaces out of the forecast 100,000 additional spaces.

34. Budget 2021 is crucial to keeping the NEGP on track to achieve the 2030 target. Any funding deferrals will set us back on the progress we've made to date.

35. We have shovel ready projects that can be started now rather than waiting for depreciation funding to accumulate. [redacted]

36. Funding our shovel ready projects has the added benefit of allowing depreciation funding to be allocated to Wave 1 NSRP projects sooner.

37. To deliver the NEGP and NSRP EIS needs sustainable operating funding. One off funding creates a funding cliff which creates uncertainty and puts our programmes at risk.

38. The CSR bid is asking for one more year of funding to continue the programme. We are currently reviewing the cost to complete the programme.

39. Discussions around future funding settings are currently underway with the Treasury. We are planning to seek decisions from Cabinet in June 2021 to provide the business with more certainty of funding, without the need to have it all drawn down or in a contingency.

**Fiscally Neutral Adjustment to Provide More Targeted Support for Learners with Intensive Behavioural Needs**

40. The education sector has raised a lack of resources to support primary students with highly challenging behaviour. More detailed advice on this concern, and the Ministry's proposed solution has been provided to you and Minister Tinetti [METIS 1251788 refers].

41. The Ministry has identified funding in existing programmes that can be reallocated into a fund able to be distributed to each education region. This is a fiscally neutral shift in funding. However, given the change in policy from when funding was originally sought by the Ministry, Cabinet agreement is needed to implement this proposal. After discussions with Treasury, we recommend you discuss the possibility of including this as a fiscally neutral initiative in the Bilateral.

**CRRF Reporting and other Underspends**

42. The economic impact of COVID-19 has been less severe than expected, with lower unemployment and a lower deficit than forecast when budget allowances were set. In addition, the Ministry has and will return substantial funding through baseline updates, CRRF underspends, and tertiary underspends. Therefore, we see the Crown as being in a stronger financial state to meet the needs of the education system than when the budget process began.

43. Vote Education and Vote Tertiary Education was allocated $3.3 billion over four years to support the education response to the global pandemic through the CRRF. On 29 January, the Ministry had identified an underspend of $248.4m to be returned to the centre with $7.7m already returned. You subsequently requested monthly reporting on the implementation of CRRF initiatives.

44. On 12 March [METIS 1252297 refers] you will receive the next detailed progress report from the Ministry, highlighting underspends in both Votes. The main concerns are current low levels of actual committed spend and slower than expected progress of delivery. While some uncertainty in regard to the impact of current and future lock downs remain, the Ministry has taken an active management approach to mitigate these risks. However, from discussions with the Treasury, we understand that for some initiatives this will prompt concerns about delivering the allocated funds in the four months remaining in the financial year.

45. In addition to the $248.4m offered in January, three initiatives show significant risks of underspends ($98.7m) where programmes are unlikely to be rolled out or completed. Further initiatives highlighting underspends have more robust risk mitigation plans in place and a decision will need to be made at a later stage.

46. Cabinet agreed that all underspends on CRRF initiatives would be returned to the centre.

47. The following three initiatives, which are expecting to spend $98.7 million in the remaining four months of the financial year will be of particular interest to you and the Minister of Finance:

    a. Supporting Māori Learners and Whānau and Te Reo Māori post COVID-19 (Vote Education): This initiative was allocated $60 million in 2020/21. As at 31 January, $4 million has been spent with $8 million has been contractually committed. Procurement discussions are progressing well and are anticipated to be completed by the end of March 2021. Even so, there is a risk that if procurement takes longer than expected, some of the contracted funding payments will need to be extended into the next financial year. In this case, a late expense transfer will need to be considered to mitigate whether committed expenditure can be funded through next year's baseline or whether funding needs to be carried forward. It is unlikely that the Minister of Finance and the Treasury will support an In-Principle Transfer.
    b. Increasing Wellbeing and Mental Health Support to Learners and Education Workforce (Vote Education): This initiative was allocated $74 million in 2020/21. As at 31 January, $34.9 million has been actually spent and $7.7 million has been contractually committed. The Treasury has identified this initiative as having low levels of actual and committed spend and slower than expected delivery progress. The exception to this is the Urgent Response Fund, which is responsible for delivering $34.4 million of the funds allocated. [redacted]
    c. Establishing Workforce Development Councils (WDCs) to Support COVID-19 Recovery (Vote Tertiary Education): This initiative was allocated $46 million in 2020/21, with up to $42 million expected to be paid to WDCs in 2020/21. As at 31 January, no funds had been spent or contractually committed and the timeline for the establishment and funding of WDCs has been delayed until 20 May 2021, subject to Cabinet approval. Up to $4 million of the $46 million in CRRF funding will be used in 2020/21 to support the establishment of WDCs. At the end of February, the Tertiary Education Commission signalled that [redacted] of the $46 million appropriated for 2020/21 is expected to be returned.

48. Separate to the CRRF reporting process, a Fees-Free Payments underspend of [redacted] has been identified [METIS 1250570 refers]. Enrolment figures available in May will clarify the size of underspends in enrolment-driven funding (including CRRF funding for enrolments being significantly higher than in 2020).

**Context of Future Budgets**

49. Significant deferrals such as those proposed by the Treasury budget team are risky. Substantial pressures are likely to lead to this funding becoming further deferred, with high risks to service levels, or a substantially higher than usual investment in Education needed.

50. [redacted]

51. Beyond this ongoing investment will be required in the school's property portfolio to continue rejuvenating existing schooling spaces, growing the Māori network, completing the Christchurch schools rebuild, and meeting the Government's target of 100,000 new school places by 2030.

## Attachments

Appendix A – Alternative Budget Scenario

| Index | Initiative Title | 29 January Package [redacted] | | MOE Budget Team Revised Scenario [redacted] | | Comments (highlighted boxes to be updated) |
|---|---|---|---|---|---|---|
| | | 5 year OPEX Total ($m) | 10 year CAPEX Total ($m) | 5 year OPEX Total ($m) | 10 year CAPEX Total ($m) | |
| 1 | Moving towards pay parity in early learning | 192.493 | 0.144 | 150.103 | 0.144 | This initiative could be scaled by moving from Step 6 to Step 5 reducing the cost to $150.103m (with $139.5m going directly to the sector and $10.6M implementation costs). If further scaling is required, moving to Step 4 reduces the cost to $109.105m (with $98.5m going directly to the sector and $10.6M implementation costs). Any scaling creates greater costs in future Budgets and slows down progress to achieving pay parity. |
| 2 | Reform of the Tomorrow's School System | [redacted] | 54.904 | [redacted] | 55.406 | Treasury recommended significant scaling. To scale down requires prioritising and deferring elements of the package, i.e. while the network functions and Curriculum Work Programme/Centre and Flexible Fund remain unchanged, it would need significant change to the ESA, Disputes and Governance functions. These levels of scaling introduce risks to the overall system change trying to be achieved. [redacted] |
| | Tomorrow's Schools: ESA | | | | | |
| | Tomorrow's Schools: Flexible Fund | | | | | |
| | Tomorrow's Schools: Curriculum centre | | | | | |
| | [redacted] | | | | | |
| | Tomorrow's Schools: Network Function | | | | | |
| | [redacted] | | | | | |
| | [redacted] | | | | | |
| 3 | NCEA Change Programme – A Strengthened NCEA for All New Zealanders | 92.513 | 8.149 | 92.513 | 8.149 | Any scaling would require Cabinet agreeing to reduce the scope of the Programme, or a much higher risk of Programme failure. These changes would result in reputational and fiscal risks and delays to the curriculum work programme. |
| 4 | Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy | 10.000 | - | 10.000 | - | Reducing funding for this initiative increases the risk of students failing to achieve the Literacy and Numeracy co-requisites for NCEA that have been confirmed for 2023. At system level this will result in a declining rate of NCEA attainment. |
| 5 | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 6 | Ensuring the viability of vocational education and training | 279.508 | - | 222.500 | - | $222.5m or lower means needing to seek more from future Budgets along with delays in necessary changes in delivery models and provider behaviour to achieve RoVE objectives. |
| 7 | Completing the Reform of Vocational Education – Transition and Integration | 33.400 | 13.850 | 33.400 | 13.850 | Any scaling would risk the successful implementation of RoVE and would be counter to recommendations of Treasury's Gateway Review of RoVE and other Independent Quality Assurance. |
| 8 | Addressing urgent Treaty commitments to the Wānanga sector | 32.250 | - | 32.250 | - | Reduced funding for this initiative which seeks to rectify an existing funding cliff would negatively impact on the Crown's obligations under Te Tiriti to actively protect and promote wānanga, and 9(2)(g)(i) [redacted] both with consequential impacts on Crown-Māori relations. Additional funding would need to be sought from Budget 2022. 9(2)(g)(i) [redacted] |
| 9 | Addressing Inequitable Funding of Wānanga | 9(2)(j) [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 10 | Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding | 110.747 | - | 110.747 | - | There is some capacity to reduce, eg. a smaller % increase. However, reducing this too far would impact the quality of service provided to learners, including support for priority learners. Should further scaling be needed there is some room to move on this bid, e.g. reducing the increase to 1% (i.e. below inflation). |
| 11 | Extending the temporary Hardship Fund for Learners in tertiary education for the 2021 calendar year | 10.000 | - | - | - | Cabinet approval could be sought to reprioritise existing underspends. |
| 12 | Funding the Next Phase of the National Education Growth Plan | [redacted] | [redacted] | 45.189 | 266.000 | 9(2)(g)(i) [redacted] |
| 13 | Property funding to build and expand schools delivering Māori Medium Education | 14.392 | 77.070 | 11.409 | 56.060 | Scaling would only fund the critical cost escalation components and not allow for any growth in the Māori Medium Education network. |
| 14 | Purchasing Land for New Schools | [redacted] | [redacted] | 14.875 | 85.000 | Scaling would require the Ministry to fund land purchases from baseline reducing funding available for NSRP. |

| | | 29 January Package [redacted] | | MOE Budget Team Revised Scenario [redacted] | | |
|---|---|---|---|---|---|---|
| **Index** | **Initiative Title** | **5 year OPEX Total ($m)** | **10 year CAPEX Total ($m)** | **5 year OPEX Total ($m)** | **10 year CAPEX Total ($m)** | **Comments (highlighted boxes to be updated)** |
| 15 | Meeting Cost Increases in Legacy Redevelopment Projects | [redacted] | [redacted] | 39.375 | 150.000 | Scaling this initiative reduces the shovel-ready that will be able to be completed, slowing the education infrastructure pipeline, reducing flow-on economic benefits and creating high demand for additional funding in future Budgets. |
| 16 | Christchurch Schools Rebuild Programme | 17.100 | 56.000 | 17.100 | 56.000 | Scaling this initiative would risk the Christchurch Schools Rebuild falling a year behind schedule and increase the demand for funding in future Budgets. |
| 17 | Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate | [redacted] | [redacted] | 1.103 | 6.300 | Scaling this bid reduces the planning and design work that can be completed and increase the demand for future funding required for the co-location to be completed. |
| 18 | 9(2)(i) [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 19 | Meeting the Operational Costs of a Growing School Property Portfolio | [redacted] | [redacted] | [redacted] | - | Funding multiple years reduces the [redacted] and delays the immediate fiscal cliff. Not providing funding for this initiative risks EIS having to reduce their provision of schooling infrastructure. |
| 20 | Improving the property at State-Integrated Schools | 52.800 | - | 52.800 | - | Scaling will result in state integrated schools being unable to complete upgrades to school property and increases the risk of legal action against the Crown for differential treatment. |
| 21 | Supporting Pacific bilingual/immersion education in schooling | 20.218 | 0.644 | 20.218 | 0.644 | Limited ability to scale this initiative without severely reducing the number of schools involved and losing regional coverage. This initiative is Minister Sio's top priority. |
| 22 | Deliver sustained Professional Learning and Development to embed Tapasā | [redacted] | [redacted] | [redacted] | [redacted] | This could be deferred due to fiscal pressures. Teaching workforce will be less responsive to the needs of Pacific learners and within multi-cultural class room settings and any potential to reduce racial inequities will be lost. |
| 23 | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 24 | 9(2)(j) [redacted] | [redacted] | [redacted] | [redacted] | [redacted] | [redacted] |
| 25 | Investigating and negotiating Pay Equity Claims | 34.394 | 2.228 | 29.346 | 0.480 | Close cost analysis by MoE has reduced funding required by $5m. Reducing this initiative further will create reputational risk for the Government as it will be unable to manage the volume of Pay Equity claims. |
| 26 | Maintaining pay rates for NZQA's Specialist Workforce | 10.000 | - | 10.000 | - | This bid was scaled back by 50% to just two years funding while NCEA review takes place. Further scaling would require a reduction in pay rates provided by NZQA, making it difficult to retain staff and reducing sector support. |
| 27 | Addressing Demand Increases for Attendance Services | 20.873 | - | 20.873 | - | Reducing funding reduces the capacity of Attendance Services and increases the risk of low / no school attendance and low school and academic outcomes. Not addressing inflationary pressures will increase sustainability pressure on service providers. |
| 28 | Annual cost adjustment for Schools' Operational Grant | 84.857 | - | 84.857 | - | The default cost adjustment figure for annual cost adjustments is 1.2%. 1.6% is recommended for schools as it goes to cover staffing costs which are higher. While technically there is some capacity to reduce, eg. a smaller % increase, this would directly impact schools ability to meet learners needs. |
| 29 | Annual cost Adjustment for maintaining quality in early learning services | 100.688 | - | 100.688 | - | While technically there is some capacity to reduce, eg. a smaller % increase, this would directly impact the quality of service provided to learners and their families. |
| 30 | Funding increase for Alternative Education provision | 4.444 | - | 4.444 | - | Sector has highlighted some providers will not continue AE provision, this will have a severe impact on learners in need and an exacerbation of existing disadvantage. |
| 31 | Maintaining interventions for learners who require direct Ministry support | [redacted] | - | 24.320 | - | Reducing to $24.320m matches the 1.6% annual cost increase to schools. As inflationary pressures drive up staffing costs, without a comensurate increase in funding we will have to reduce staffing numbers over time. The effect of less staffing is that fewer learners / ākonga will be able to access services, or they will receive reduced services. While we strive to achieve more with the resources we have, inflationary pressures make this increasingly challenging. |

| | | 29 January Package [redacted] | | MOE Budget Team Revised Scenario [redacted] | | |
|---|---|---|---|---|---|---|
| Index | Initiative Title | 5 year OPEX Total ($m) | 10 year CAPEX Total ($m) | 5 year OPEX Total ($m) | 10 year CAPEX Total ($m) | Comments (highlighted boxes to be updated) |
| 32 | Transforming the Education Funding System | 20.297 | 34.738 | 18.507 | 34.738 | Revised since originally submitted as costings further developed by MoE. No ability to scale further without creating significant risks of failure for the technology system that provides the payroll function for most of the Education sector. |
| 33 | Database Upgrades for School's Payroll and Holiday's Act Assessment | 15.000 | - | 15.000 | - | Scaling this initiative removes the Holiday's Act assessment cost. This would result in a $5m shortfall for the Ministry that would require funding to be reprioritised from elsewhere or for work to slow down. |
| 34 | Continuing Digital Access for Principals and Teachers | 12.653 | - | 12.653 | - | Scaling this initiative would require rationing access to digital devices for principals and teachers. This would result in declining access and higher costs for schools who fund it themselves. This will also result in inequitable educational services widening the digital divide between schools. |
| 35 | Implementing the equity index in schools and kura | 18.108 | 4.800 | 18.108 | 4.800 | This initiative only covers the set-up costs for the Equity Index and most of the investment deferred until Budget 2022. Any reduction in the amount of funding compromises our ability to successfully deliver the change by 2023. |
| 36 | Prime Minister's Vocational Excellence Awards | 4.200 | - | 3.840 | - | Not funding this initiative risks the Prime Minister's Vocational Excellence Awards (set up in 2019) being cancelled, or funding being reprioritised from elsewhere. |
| 37 | Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes | 11.893 | - | 11.645 | - | Scaling this initiative risks the overall package having limited direct support for literacy and numeracy. This bid provides support to families' and children's lieteracy and numeracy. |
| | Subtotals | [redacted] | | | | |
| 38 | Holiday's Act Remediation Costs | 277.500 | - | 277.500 | - | Treated as outside the package. Treasury scaling removes the running costs creating a $7.5m shortfall that EIS would have to cover. |
| 39 | Depreciation Impacts of Revaluing the School Property Portfolio | [redacted] | | | | Treated as outside the package. Crown Revenue item relating to reinvestment in the school property portfolio as a result of the June 2020 Portfolio Valuation increase in depreciation expense approved through the October Baseline Update |
| | Totals | [redacted] | | | | |