



Education Report: Budget 2021 – Package Submission

To:	Hon Chris Hipkins		
Date:	22 March 2021	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1254566
Drafter:	Duncan Wilson	DDI:	04 463 1588
Key Contact:	John Brooker	DDI:	9(2)(a)
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This report sets out the Budget 2021 package for the Education portfolio as discussed at your agency meeting today. The purpose of this paper is for you to:

Agree the Education package to be submitted for Budget 2021.

Sign the attached letter to the Minister of Finance to submit the agreed package.

Summary

You met with the Minister of Finance for the second budget bilateral on 17 March 2021. At this meeting an operating allowance of [REDACTED] This allowance needs to include the operating impacts of the capital allowance but excludes Holiday's Act remediation and changes to depreciation funding. The Minister of Finance's office indicated a capital allowance of around \$700 million following the bilateral.

On 19 March we provided you with an updated budget package, reflecting the bilateral discussion between yourself and the Minister of Finance on 17 March 2021 [METIS 1254442 refers].

The attached letter seeks to submit the Education package consisting of initiatives totalling [REDACTED] within the allowance and an additional \$313.5m across two initiatives outside the allowance, being the Holiday's Act Remediation initiative and depreciation impacts of revaluing the School Property Portfolio.

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 in the Education package for Budget 2021

#	Initiative	Funding sought		Submit for Budget 2021	
		(\$m)opex	(\$m)capex	Submit	Defer
1	Moving towards pay parity in early learning	191.365	1.044	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2	Reform of the Tomorrow's School System		54.904	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3	Ensuring the viability of vocational education and training	279.508	-	<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	Addressing Inequitable Funding of Wānanga	9(2)(j)	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6	Supporting Pacific bilingual/immersion education in schooling	20.218	0.644	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7			-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8	Deliver sustained Professional Learning and Development to embed Tapasā		0.032	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9	Funding the Next Phase of the National Education Growth Plan	45.189	266.000	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10	Property funding to build and expand schools delivering Māori Medium Education	14.392	77.070	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11	Purchasing Land for New Schools	14.875	85.000	<input checked="" type="checkbox"/>	<input type="checkbox"/>
12	Meeting Cost Increases in Legacy Redevelopment Projects	39.375	150.000	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13	Christchurch Schools Rebuild Programme	17.100	56.000	<input checked="" type="checkbox"/>	<input type="checkbox"/>
14	Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate	1.103	6.300	<input checked="" type="checkbox"/>	<input type="checkbox"/>
15	9(2)(i)			<input checked="" type="checkbox"/>	<input type="checkbox"/>
16	Meeting the Operational Costs of a Growing School Property Portfolio		-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17	Improving the property at State-Integrated Schools	52.800	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
18	9(2)(j)		-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19	Investigating and negotiating Pay Equity Claims	29.346	0.480	<input checked="" type="checkbox"/>	<input type="checkbox"/>
20	Maintaining pay rates for NZQA's Specialist Workforce	10.000	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
21	Transforming the Education Funding System	18.507	34.738	<input checked="" type="checkbox"/>	<input type="checkbox"/>

22	Database Upgrades for School's Payroll and Holiday's Act Assessment	15.000	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
23	Continuing Digital Access for Principals and Teachers	12.653	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
24	Implementing the equity index in schools and kura	18.108	4.800	<input checked="" type="checkbox"/>	<input type="checkbox"/>
25	Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy	10.000	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
26				<input checked="" type="checkbox"/>	<input type="checkbox"/>
27	Addressing Demand Increases for Attendance Services	20.873	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
28	Annual cost adjustment for Schools' Operational Grant	84.857	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
29	Annual cost Adjustment for maintaining quality in early learning services	100.688	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
30	Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding	110.747	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
31	Funding increase for Alternative Education provision	4.444	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
32	Maintaining interventions for learners who require direct Ministry support	24.320	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
33	Completing the Reform of Vocational Education – Transition and Integration	33.400	13.850	<input checked="" type="checkbox"/>	<input type="checkbox"/>
34	NCEA Change Programme – A Strengthened NCEA for All New Zealanders	92.513	8.149	<input checked="" type="checkbox"/>	<input type="checkbox"/>
35	Prime Minister's Vocational Excellence Awards	4.200	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
36	Extending the temporary Hardship Fund for Learners in tertiary education for the 2021 calendar year	10.000	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
37	Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes	11.893	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Total					
<i>Initiatives outside the allowance</i>					
38	Holiday's Act Remediation Costs	277.500	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
39	Depreciation Impacts of Revaluing the School Property Portfolio	36.000	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Total		313.500	-		
<i>Fiscally neutral initiatives</i>					
40	Intensive support for primary students with wellbeing and behavioural needs that may be challenging to others	-	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>

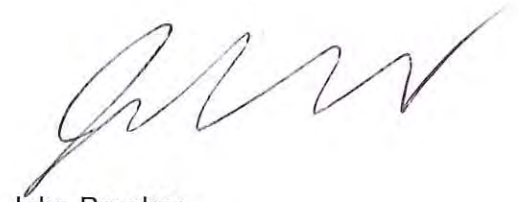
c. **sign** the attached letter to the Minister of Finance to submit your Budget 2021 package

Agree disagree

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

- e. **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

—/—/—



Chris Hipkins
Minister of Education

22/3/21

Background

- 1 On 17 March you met with the Minister of Finance and he provided you with a revised fiscal allowance of [REDACTED]. This was reduced [REDACTED] to fit within overall Government allowances.
- 2 On 19 March we provided you with an updated Budget package reflecting your discussions with the Minister of Finance [METIS 1254442 refers]. At the agency meeting on 22 March you agreed to this package.
- 3 Cabinet may consider funding the Hardship Fund for learners in tertiary education from underspends in Vote Tertiary Education prior to Budget 2021 decisions. If approved, this initiative will be removed from the Education Budget package and reduce the required funding accordingly.

Letter to the Minister of Finance

- 4 The Ministry has provided you a letter to the Minister of Finance detailing the changes from the 29 January submission to the current Education package.
- 5 You will need to provide the attached letter to the Minister of Finance to formally notify him of your proposed education budget package.

Next Steps

- 6 Titles and descriptions for initiatives need to be confirmed ahead of submission. We will provide your office with a list of titles and descriptions for final approval on 25 March.
- 7 Initiatives, including final titles and descriptions will be formally submitted to Treasury on 1 April.
- 8 Cabinet will formally consider the Budget 2021 package for approval on 12 April.

Proactive Release

- 9 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

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

Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



22 March 2021

Hon Grant Robertson

Parliament Buildings

WELLINGTON

Dear Grant,

As discussed at our meeting on 17 March, I am pleased to provide you my Budget 2021 package for the Education portfolio. I have applied strict discipline to work within the constrained fiscal environment facing the Government at this time. I am submitting a package totalling [REDACTED] across the Education Package. I am also submitting an additional two items outside the allowance totalling \$313.5 million.

This letter:

1. Indicates where initiatives have changed since the January submission,
2. Identifies initiatives outside of the allowance,
3. Details a proposed fiscally neutral transfer alongside the Education package.

Changes since the January submission

The education package has undergone a number of changes from the January submission to ensure it fits within our Government's Budget allowances. These changes have reduced the operating expenditure required by [REDACTED] and the total capital expenditure required by [REDACTED].

Education infrastructure package

Investment into the school property portfolio has been reduced from [REDACTED]. The associated operating expenditure for this has decreased from [REDACTED]. This change in funding level has been achieved by reducing NEGP funding, Purchasing Land, and Legacy Redevelopment programmes. This funding level provides a short-term continuation of these programmes while an alternative funding arrangement is discussed between officials.

The amount sought for Meeting the Operational Costs of a Growing School Property Portfolio has been increased to provide funding certainty and reduce the demands on future Budget allowances. This initiative now seeks four years of funding with outyears, rather than one year. This increases the funding sought from [REDACTED] of operating expenditure.

Revised costings

The Ministry of Education has undertaken close analysis of the costings of each initiative to identify possible savings and reduce the overall requirement for the education package. This has resulted in the Investigating and Negotiating Pay Equity Claims initiative being revised down from \$34.4 million to \$29.3 million and the Transforming the Education Funding System initiative has been revised down from \$20.3 million to \$18.5 million. No changes in scope to

these programmes are required to make these changes. The Maintaining interventions for learners who require direct Ministry support initiative has been reduced from [REDACTED] to \$20.3m to match the 1.6% annual funding adjustment for schools.

Reform of the Tomorrow's Schools and Other changes

The Reform of the Tomorrow's Schools System initiative has been reduced from [REDACTED] to [REDACTED] operating expenditure. Capital expenditure is unchanged at \$54.9 million. This reduction has been achieved by lowering the funding sought for the ESA, Curriculum Work Programme and Centre, and the Network function and deferring the disputes resolution and school governance components.

Initiatives that are outside of the allowance

I am submitting the Holiday's Act Remediation costs and Depreciation Impacts of Revaluing the School Property Portfolio items totalling \$313.5 million outside the proposed Education allowance:

1. As you indicated in our bilateral discussion, the Holiday's Act Remediation is to be managed separately with the Treasury outside the education package
2. A late change to the process for approving depreciation funding associated with the annual revaluation of the school property portfolio has resulted in an unexpected approach to meeting depreciation costs. For at least the last ten years, this was approved as part of OBU each year. Given the late notice of the change in approach, Ministry of Education and Treasury officials have agreed that the Budget bid be restricted to a single year funding of \$36 million, whilst a mechanism for resolving future years is put in place. For the same reason, I am proposing that we treat this outside of the proposed Education allowance.

Fiscally neutral initiative

Alongside the education package, I am also proposing a fiscally neutral initiative that supports the education sector to meet well-being and behaviour challenges they are facing.

The initiative would enable intensive support for primary students with wellbeing and behavioural needs that may be challenging to others. It would reprioritise several existing programmes to create a regional support fund for students with highly challenging behaviour.

Thank you for the opportunity to submit an education package that will help support the achievement of our learners and the sustainability of the sector.

Yours sincerely



Hon Chris Hipkins
Minister of Education

BUDGET SENSITIVE		Annex B – Education Budget Package						22 March 2021	
Index	Initiative Title	29 January Package		Proposed Package		Description			
		5-year OPEX Total (\$m)	10-year CAPEX Total (\$m)	5-year OPEX Total (\$m)	10-year CAPEX Total (\$m)	No highlight	Indicate original descriptions submitted to Treasury on 29 January		
						Yellow highlight	Indicate updated descriptions that reflect the reduced funding sought		
1	Moving towards pay parity in early learning	192.493	0.144	191.365	1.044	This initiative will provide funding for teacher-led centre-based education and care services to move qualified and certificated teacher pay closer to parity with kindergarten teachers. The initiative will, from 1 Jul 2021, raise the minimum salary attestation requirement for certificated teachers in conjunction with increases to existing funding bands. From 1 Jan 2022, services may opt for a new, higher funding band if they attest to pay certificated teachers with relevant work experience at salary steps above the minimum salary attestation. The initiative seeks contingency funding to manage the flow-on costs to kōhanga reo. The initiative also provides resourcing to consider changes to the funding system to enable better matching of teacher pay requirements with service provider funding.			
2	Reform of the Tomorrow’s School System		54.904		54.904	This initiative provides funding for the first year of a multi- year investment to reform our current schooling model, known as Tomorrow’s Schools. The reform is designed to provide front line support closer to schools, creating a more networked and supported system that is more responsive to the needs of learners/ākonga and their whānau. The first steps in the reform include putting in place a fit-for-purpose national curriculum with supports across early learning and schooling, establishing the key leadership and core support functions of the Education Service Agency, the Network Functionand creating a flexible fund which will enable frontline staff to better support the sector.			
	Tomorrow's Schools: ESA								
	Tomorrow's Schools: Flexible Fund								
	Tomorrow's Schools: Curriculum centre								
	Tomorrow's Schools: Network Function								
3	Ensuring the viability of vocational education and training	279.508	-	279.508	-	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 initiative provides a 13.4% increase in baseline VET funding by 2024. 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.			
4	Addressing urgent Treaty commitments to the Wānanga sector	32.250	-	32.250	-	This initiative will prevent a decline in research capability funding for the wananga sector over the coming years, significantly mitigating the risk of a marked deterioration in the Crown’s relationship with the wananga sector and of claims to the Waitangi Tribunal. This is a critical cost pressure as current funding provided to the wananga sector to protect and support the matauranga Maori continuum will otherwise decrease. This funding will maintain current research capability funding and provide equal and ongoing access to stop-gap funding for all three wananga. Led by Hon Kelvin Davis, Associate Minister of Education (Maori Education).			
5	Addressing Inequitable Funding of Wānanga	9(2)(j)							
6	Supporting Pacific bilingual/immersion education in schooling	20.218	0.644	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 Hon Aupito William Sio, Associate Minister of Education (Pacific Peoples).			
7									

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8	Deliver sustained Professional Learning and Development to embed Tapasā					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 Tapasa, a cultural competencies framework for teachers and leaders of Pacific learners. Led by Hon Aupito William Sio, Associate Minister of Education		
9	Funding the Next Phase of the National Education Growth Plan			45.189	266.000	This initiative provides funding for an additional 6,000 student spaces required in the school network, as identified in the National Education Growth Plan (NEGP). This is in addition to the 47,000 student places already funded. Funding will deliver new roll growth classrooms, provision for learning support and the design for new schools and expansions.		
10	Property funding to build and expand schools delivering Māori Medium Education	14.392	77.070	14.392	77.070	This initiative provides funding to address growth in existing and new schools delivering Māori Medium Education.		
11	Purchasing Land for New Schools			14.875	85.000	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 and funding for future land purchases. 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.		
12	Meeting Cost Increases in Legacy Redevelopment Projects			39.375	150.000	This initiative provides funding for around 25 school property redevelopments to start within the next 12-18 months. These projects will generate up to \$400 million worth of work, approximately 8,000 employment opportunities, and provide ākonga/learners with access to quality learning facilities.		
13	Christchurch Schools Rebuild Programme	17.100	56.000	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.		
14	Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate			1.103	6.300	This initiative will fund 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.		
15								
16	Meeting the Operational Costs of a Growing School Property Portfolio					-	This initiative will address Education Infrastructure Service’s 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).	
17	Improving the property at State-Integrated Schools	52.800	-	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.		

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18								
19	Investigating and negotiating Pay Equity Claims	34.394	2.228	29.346	0.480	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.		
20	Maintaining pay rates for NZQA’s Specialist Workforce	10.000	-	10.000	-	This initiative provides funding 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 and to support quality education assessments in New Zealand. This initiative will continue to be an interim funding for 2021/22 and 2022/23 until a longer-term funding is approved.		
21	Transforming the Education Funding System	20.297	34.738	18.507	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 high-risk systems and 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.		
22	Database Upgrades for School’s Payroll and Holiday’s Act Assessment	15.000	-	15.000	-	This initiative provides funding to upgrade the existing Oracle database software used by Education Payroll Limited and fund the programme costs associated with historic non-compliance of the Holiday’s Act 2003. These workstreams support the delivery of the Schools Payroll with an annual spend of \$5.6 billion and pays almost 100,000 teachers and support staff every fortnight. The Oracle 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 funding provides a safe pathway to complete the upgrades whist maintaining the stability of the schools’ payroll.		
23	Continuing Digital Access for Principals and Teachers	12.653	-	12.653	-	This initiative will provide funding for projected price increases and additional digital devices and 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.		
24	Implementing the equity index in schools and kura	18.108	4.800	18.108	4.800	This initiative is the first step in implementing the equity index as a replacement for deciles from the 2023 school year. This is a key Government manifesto commitment. The shift from deciles to the equity index is a significant change for the education sector and for the Ministry. Funding from this initiative will cover system changes and other implementation costs that are required to support a smooth transition to the new system from 2023. This provides the foundation for future investment in equity funding to ensure schools and kura are best supported to mitigate the socio-economic barriers faced by learners, the wider school community and whanau.		
25	Student Achievement: NCEA Pāngarau, Te Reo Matatini, Numeracy and Literacy	10.000	-	10.000	-	This initiative provides funding for literacy and numeracy interventions for students across the Maori 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.		
26								

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27	Addressing Demand Increases for Attendance Services	20.873	-	20.873	-	This initiative funds a critical increase in the number of akonga 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 akonga 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 akonga 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.	
28	Annual cost adjustment for Schools' Operational Grant	84.857	-	84.857	-	This initiative provides funding for schools to purchase staffing, supplies, utilities and other essentials required to continue operating. A cost increase of 1.6% is applied to the existing schools operational grant funding to accommodate the increased price of providing these essentials at existing levels. Schools have few alternative funding sources to cover these increased costs and without this funding the quality of education provided is likely to degrade, lowering educational achievement. The cost adjustments will take effect from 1 January 2022.	
29	Annual cost Adjustment for maintaining quality in early learning services	100.688	-	100.688	-	This initiative provides funding for schools to purchase staffing, supplies, utilities and other essentials required to continue operating. A cost increase of 1.6% is applied to the existing schools operational grant funding to accommodate the increased price of providing these essentials at existing levels. Schools have few alternative funding sources to cover these increased costs and without this funding the quality of education provided is likely to degrade, lowering educational achievement. The cost adjustments will take effect from 1 January 2022.	
30	Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding	110.747	-	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.	
31	Funding increase for Alternative Education provision	4.444	-	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 \$12,388 (\$588 per student place). This will stabilise funding for AE while we redesign the system of support for at-risk akonga.	
32	Maintaining interventions for learners who require direct Ministry support		-	24.320	-	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 Minister of Education, with Associate Minister of Education, Hon Jan Tinetti.	
33	Completing the Reform of Vocational Education – Transition and Integration	33.400	13.850	33.400	13.850	This initiative provides funding to retain capability, and to build a data interface, to support the transition and integration phase to complete the Government's Reform of Vocational Education (RoVE). This will enable implementation of changes to the Vocational Education and Training system required to deliver the skills and opportunities that learners, employers, industry, and regions need and to support recovery from the impacts of COVID-19. Lack of continued investment in capability to implement RoVE will give rise to significant risks for learners, including Maori, Pacific and disabled learners, employers, industry and regions.	
34	NCEA Change Programme – A Strengthened NCEA for All New Zealanders	92.513	8.149	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 orite mo te matauranga Maori in NCEA, replaces the expiring Achievement Standards with coherent and high quality assessment packages, and provides enhanced support for vocational pathways. The strengthened NCEA will support schools and kura to deliver higher quality programmes of learning, the programme will better prepare students for further education and work with flow-on benefits for families and whanau.	

BUDGET SENSITIVE		Annex B – Education Budget Package						22 March 2021
Index	Initiative Title	29 January Package		Proposed Package		Description		
		5-year OPEX Total (\$m)	10-year CAPEX Total (\$m)	5-year OPEX Total (\$m)	10-year CAPEX Total (\$m)	No highlight	Indicate original descriptions submitted to Treasury on 29 January	
						Yellow highlight	Indicate updated descriptions that reflect the reduced funding sought	
35	Prime Minister’s Vocational Excellence Awards	4.200	-	4.200	-	This initiative seeks continuous funding for the Prime Minister’s Vocational Excellence award from 2021 onwards. It is given to the top student in a vocational programme of learning in each public secondary school and wharekura in New Zealand as chosen by the school. The Award aims to raise the status of vocational education through celebrating the successes of vocationally aligned students as part of each school’s prize giving ceremonies. Led by the Minister of Education with the Prime Minister.		
36	Extending the temporary Hardship Fund for Learners in tertiary education for the 2021 calendar year	10.000	-	10.000	-	This initiative will provide funding for a temporary extension of the COVID-19 Hardship Fund for Learners in tertiary education for the 2021 calendar year at a cost of \$10 million. Some learners will have lower incomes, reduced financial support from their families and may face additional costs this year due to the ongoing impacts of COVID-19 that go beyond the current levels of support, or may not be supported by student loans and allowances. This initiative will help students in hardship remain connected to their education provider and engaged in their learning.		
37	Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes	11.893	-	11.893	-	This initiative funds an expansion of Reading Together® Te Panui Ngatahi and Duffy Books in Homes to increase children’s literacy and educational achievement with focus on equity and Maori, Pacific, migrant, and refugee learners. With capability building for culturally responsive partnership implementation, the Reading Together® Te Panui Ngatahi programmes, provides greater reach to parents, whanau, 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.		
	Subtotals							
Outside the Package								
38	Holiday's Act Remediation Costs	277.500	-	277.500	-	This initiative is being treated as outside the package. \$270m of this funding is necessary to recognise the liability of Holiday’s Act remediation, with \$7.5m necessary to investigate and implement the remediation. The Treasury budget team have proposed scaling \$7.5m from the initiative, creating a \$7.5m shortfall that EIS would have to cover, further increasing departmental baselines.		
39	Depreciation Impacts of Revaluing the School Property Portfolio	36.000	-	36.000	-	The Ministry of Education requests approval Crown Revenue funding for 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. This is an interim response only while officials explore options to address this issue going forward. The Ministry of Education’s preferred approach is to seek Cabinet agreement to delegate authority to Joint Ministers of Education and Finance for future impacts of changes in the value of the school property portfolio which result from the annual revaluation exercise.		
	Subtotals	313.500	-	313.500	-			
Fiscally Neutral Initiatives								
40	Intensive support for primary students with wellbeing and behavioural needs that may be challenging to others	-	-	-	-	This initiative is for intensive interventions that support primary students with wellbeing and behavioural needs that may be challenging to others.		