



Education Report: Update and Response to the Minister of Finance's Proposed Education Package

To:	Hon. Chris Hipkins, Minister of Education		
Date:	1 April 2021	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1250709
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Messaging seen by Communications team:	N/A	Round robin:	N

Purpose of Report

This Education Report provides you with a copy of the Minister of Finance's changes to the Education Budget package and a proposed response to those changes.

Executive Summary

On 22 March 2021 we submitted a package of [REDACTED] of operating and [REDACTED] of capital to the Minister of Finance, and the Treasury. The Minister of Finance has indicated a few changes to bring the package down to [REDACTED]. His changes would reduce the package by [REDACTED] of operating to just [REDACTED] (see appendix A).

The Minister of Finance has achieved this reduction by scaling the Pacific Bilingual and Immersion initiative and deferring the other [REDACTED] Pacific initiatives (Tapasā and [REDACTED]), deferring [REDACTED], deferring the Prime Minister's Vocational Award, deferring Reading Together Te Pānui Ngātahi Partnerships/Duffy Books, and deferring the [REDACTED] Flexible Fund component of the Reform of the Tomorrow's Schools System Initiative.

The proposed scaling reduces the impact of the package for Māori learners and Pacific learners in particular. We propose looking for scaling elsewhere in the Education package and using this funding to re-instate [REDACTED] and the Pacific Tapasā initiatives. We will seek funding from within the existing Professional Learning and Development baseline to support the PLD components the Minister of Finance removed from the Pacific Bilingual/Immersion and Immersion initiative.

We are particularly concerned about the decrease in the Flexible Fund component. This funding allows for a continuation (albeit at a lower level) of the sector facing support facilitated by the Urgent Response Fund. It is a core enabler of the more responsive approach to working with the sector being sought through the Tomorrow's Schools reforms. URF funding runs out on 30 June 2021 and deferring this component to a later budget creates a gap in our ability to continue this approach.

To mitigate these concerns, we propose reducing the Curriculum component in the Tomorrow's Schools initiative by [REDACTED] to provide for one year of funding for the Flexible Fund (at [REDACTED]). This time-limited approach would create space while we work through a long-term solution.

Recommendations

The Ministry of Education recommends you:

- a. **note** at your bilateral with the Minister of Finance, [REDACTED]
[REDACTED] **Noted**
- b. **note** that on 22 March 2021, a package totalling [REDACTED] of operating and [REDACTED] of capital expenditure was submitted to the Minister of Finance, and the Treasury With Holidays Act remediation, and school property depreciation initiatives totalling [REDACTED] submitted outside the allowance. **Noted**
- c. **note** following Budget Ministers' meetings this week, Treasury notified us of the Minister of Finance's package on 31 March 2021, which reduced the package by [REDACTED] operating to [REDACTED] (attached as appendix A). **Noted**
- d. **agree** to our proposed changes to the education package (attached as appendix B). **Agree** Disagree
- e. **agree** to submit a letter to the Minister of Finance setting out the proposed changes to the education package and seeking his approval to the alternative approach. **Agree** Disagree
- f. **do not release** this report at this time as the information contained within is budget sensitive. Release **Do not Release**


John Brooker
Group Manager
Education System Policy

01/04/2021


Hon Chris Hipkins
Minister of Education

2/4/2021

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[See my notes below and alternative proposals.](#)

Minister of Finance's Proposed Budget Package

Changes made by the Minister of Finance

1. On 31 March 2021 we received the Minister of Finance's proposed Budget package for Vote Education and Vote Tertiary Education. This package reduces operating funding by [REDACTED], to just under [REDACTED], by making the following changes:

- *Supporting Pacific bilingual/immersion education in schooling* – this has been reduced from [REDACTED] of operating and [REDACTED] of capital, to \$12.400 million of operating and \$0.644 million of capital. This scaling option was raised during the Pacific bilateral as a possible option, with Ministry of Education baseline Professional Learning and Development (PLD) funding highlighted as a possible source to make up the remainder.

✓

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

✓

- *Deliver sustained Professional Learning and Development to embed Tapasā* – [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

✓

- [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

✓

- *Prime Minister's Vocational Excellence Awards* – this initiative has been deferred, reducing the package by \$0.200 million of operating expenditure. Baseline funding for these awards finishes at the end of this financial year. Deferring this initiative would either require ceasing the awards or add pressure to Ministry baselines.

✗

- *Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partner hips and Duffy Books in Homes* – this initiative has been deferred, reducing the package by \$11.645 million of operating and \$0.048 million of capital expenditure. Deferring this initiative removes a direct investment in reading and literacy for learners from the package.

✗

- *Reform of the Tomorrow's School System* – the Minister of Finance has proposed removing [REDACTED] of operating expenditure from this initiative by deferring the Flexible Fund component. This would not allow the Ministry to continue the approach begun through Urgent Response Fund, currently funded from the COVID Response and Recovery Fund.

✗

Proposed Response to the Minister of Finance's Package

Alternative scaling to meet the reduced allowance

2. We propose changing the scaling of initiatives to meet the [REDACTED] the Minister of Finance has indicated to maintain proposed investments for Māori learners and Pacific learners. To create space in the package for initiatives that we see as important, we propose the following:

- ✓ *Meeting the operational costs of a growing school property portfolio* [REDACTED]
[REDACTED] We propose reducing funding for this initiative to \$45 million. This would allow us to largely address this cost pressure and, importantly, seek outyears funding, and avoid creating a future funding cliff. [REDACTED]
[REDACTED]
- ✓ *Extending the temporary Hardship Fund for Learners in tertiary education for the 2021 calendar year* – The package you submitted to the Minister of Finance on Monday 22 March, included a bid for \$10 million to extend the Tertiary Hardship Fund for 2021. On Thursday you lodged a Cabinet paper seeking a fiscally neutral adjustment within current baselines of \$4.2 million to meet some of the costs of this initiative. In addition, there is still some \$3.1 million of funding sitting with providers allocated out of the 2020 Hardship grant. This means a total of \$7.3 million that providers could bring to bear to assist tertiary students with the ongoing impact of COVID. There may also be further underspends this year across Vote Tertiary Education and Vote Education that could be used to further extend the Hardship Grant as we get closer to the end of the financial year. Therefore, it would be possible to defer the whole of this bid for now and continue to seek funding through other sources.

Re-shaping the package

3. On top of the proposed scaling options above required to fit the package within [REDACTED], we have identified the following changes to the package proposed by the Minister of Finance:

Reprioritising funding:

- ✓ *Supporting Pacific bilingual/immersion education in schooling* – we see funding the PLD component of this initiative from existing PLD appropriations as a workable solution. This would maintain the level of total new investment in Pacific bilingual and immersion education at the minimum viable option proposed to the Minister of Finance in January.
- ✓ *Prime Minister's Vocational Excellence Awards* – we see identifying ongoing baseline funding to continue this programme at its current level, as a workable solution as the total amount of \$1.050 million per annum, is relatively small.

Deferring initiatives until Budget 2022

- ✓ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- ✗ *Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes*. While not ideal, we see deferring this initiative to a future budget as a workable solution.

Re-shaping the Reform of the Tomorrow's Schools System initiative

- The Minister of Finance has reduced the funded amount for the Reform of the Tomorrow's Schools System by [REDACTED] to \$185.314 million of operating and \$53.810 million of capital. [REDACTED]
[REDACTED]
[REDACTED]
- ✓ ■ [REDACTED]
[REDACTED]
[REDACTED]
- ✓ ■ [REDACTED]
[REDACTED]
[REDACTED]
- ✓ • Re-shaping the *Reform of the Tomorrow's Schools System* initiative will impact on the [REDACTED]
[REDACTED]. However, we see this trade-off as worthwhile with the Flexible Fund being an important tool to empower regions and enhance the frontline of the education system.

Effect of the proposed changes

4. Our proposed changes to the budget package would reduce the size of the Education package to [REDACTED] of operating and [REDACTED] of capital expenditure, saving [REDACTED] of operating and [REDACTED] of capital. The total ask would remain below \$1.76 billion, sitting only [REDACTED] of operating and [REDACTED] of capital higher than the Minister of Finance's proposed package.
- ✓ 5. The Minister of Finance has agreed to the fiscally neutral adjustment for *Intensive support for young learners with wellbeing and behavioural needs that may be challenging to others*. However, he has proposed that this be held in contingency pending further work on the policy and implementation. We will manage the communications implications of this being in contingency with the Treasury.

Next Steps

Submission to the Minister of Finance and the Treasury

6. On your behalf we have prepared a letter to the Minister of Finance outlining our recommended changes to the education package.

Attachments

Appendix A – Minister of Finance's Proposed Education Package

Appendix B – Proposed Budget Package

Appendix C – Letter to Minister of Finance

Proactively Released

BUDGET SENSITIVE - Appendix A - Minister of Finance Education Package as at 01 April 2021 - BUDGET SENSITIVE									
Bilateral A3 Numbering	Treatment in Package	Initiative Title	Actual Quasi Checked 5 year OPEX Total (\$m)	MoF Package 31 03 21 5 Year OPEX Total (\$m)	Difference in Totals	Actual Quasi Checked 10 year CAPEX Total (\$m)	MoF Package 31 03 21 10 Year CAPEX Total (\$m)	Difference in Totals	
1 In		Moving towards pay parity in early learning	191.365	191.365	-	1.044	1.044	-	
2 In		Reform of the Tomorrow's School System		185.314		53.810	53.810	-	
		Tomorrow's Schools' ESA				1.066	1.066		
		Tomorrow's Schools' Flexible Fund				-	-		
		Tomorrow's Schools' Curriculum				52.006	52.006		
			-	-		-	-		
		Tomorrow's Schools' Network Function				0.738	0.738		
			-	-		-	-		
		Tomorrow's Schools' Depreciation and CC	-	-		-	-		
3 In		Ensuring the viability of vocational education and training	279.508	279.508	-	-	-	-	
4 In		Addressing urgent Treaty commitments to the Wānanga sector	32.250	32.250	-	-	-	-	
5 In		Addressing Inequitable Funding of Wānanga	9(2)(i)		-	-	-	-	
6 In		Supporting Pacific bilingual/immersion education in schooling	20.218	12.400	(7.818)	0.644	0.644	-	
						-	-	-	
8 In		Deliver sustained Professional Learning and Development to embed Tapasā							
9 In		Funding the Next Phase of the National Education Growth Plan	45.191	45.191	-	266.000	266.000	-	
10 In		Property funding to build and expand schools delivering Māori Medium Education	14.165	14.165	-	77.070	77.070	-	
11 In		Purchasing Land for New Schools	14.875	14.875	-	85.000	85.000	-	
12 In		Meeting Cost Increases in Legacy Redevelopment Projects	33.751	33.751	-	150.000	150.000	-	
13 In		Christchurch Schools Rebuild Programme	17.100	17.100	-	56.000	56.000	-	
14 In		Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate	1.103	1.103	-	6.300	6.300	-	
15 In		9(2)(i)			-	2.595	2.595	-	
16 In		Meeting the Operational Costs of a Growing School Property Portfolio			-	-	-	-	
17 In		Improving the property at State-Integrated Schools	52.800	52.800	-	-	-	-	
		9(2)(j)							
19 In		Investigating and negotiating Pay Equity Claims	29.347	29.347	-	0.480	0.480	-	
20 In		Maintaining pay rates for NZQA's Specialist Workforce	10.000	10.000	-	-	-	-	
21 In		Transforming the Education Funding System	18.507	18.507	-	34.738	34.738	-	
22 In		Database Upgrades for School's Payroll and Holiday's Act Assessment	15.000	15.000	-	-	-	-	
23 In		Continuing Digital Access for Principals and Teachers	12.653	12.653	-	-	-	-	
24 In		Implementing the equity index in schools and kura	18.078	18.078	-	4.928	4.928	-	
25 In		Student Achievement: NCEA Pāngarau, Te Reo Mātauranga, Numeracy and Literacy	10.000	10.000	-	-	-	-	
27 In		Addressing Demand Increases for Attendance Services	20.873	20.873	-	-	-	-	
28 In		Annual cost adjustment for Schools' Operational Grant	90.049	90.049	-	-	-	-	
29 In		Annual cost Adjustment for maintaining quality in early learning services	100.688	100.688	-	-	-	-	
30 In		Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding	110.747	110.747	-	-	-	-	
31 In		Funding increase for Alternative Education provision	4.444	4.444	-	-	-	-	
32 In		Maintaining interventions for learners who require direct Ministry support	24.320	24.320	-	-	-	-	
33 In		Completing the Reform of Vocational Education – Transition and Integration	33.400	33.400	-	13.850	13.850	-	
34 In		NCEA Change Programme – A Strengthened NCEA for All New Zealanders	92.513	92.513	-	8.149	8.149	-	
35 In		Prime Minister's Vocational Excellence Awards	4.200	-	(4.200)	-	-	-	
36 In		Extending the temporary Hardship Fund for Learners in tertiary education for the 2021 calendar year	10.000	10.000	-	-	-	-	
37 In		Literacy success and child wellbeing through Reading Together* Te Pānui Ngātahī partnerships and Duffy Books in Homes	11.645	-	(11.645)	0.048	-	(0.048)	
38 Out		Holiday's Act Remediation for School and Ministry Payroll	277.500	277.500	-	-	-	-	
39 Out		Depreciation Impacts of Revaluing the School Property Portfolio	36.000	36.000	-	-	-	-	
40 FNA		Intensive support for primary students with wellbeing and behavioural needs that may be challenging to others	-	-	-	-	-	-	
41 FNA		Hardship Fund FNA	-	-	-	-	-	-	

Total Package	
Total Out of Package	
Total	

BUDGET SENSITIVE - Appendix A - Minister of Finance Education Package as at 01 April 2021 - BUDGET SENSITIVE									
Bilateral A3 Numbering	Treatment in Package	Initiative Title	Actual Qual Checked 5 year OPEX Total (\$m)	MoF Package 31 03 21 5 Year OPEX Total (\$m)	Difference in Totals		Actual Qual Checked 10 year CAPEX Total (\$m)	MoF Package 31 03 21 10 Year CAPEX Total (\$m)	Difference in Totals

Proactively Released

BUDGET SENSITIVE - Appendix B - Proposed Updates to Education Package as at 01 April 2021 - BUDGET SENSITIVE									
Bilateral A3 Numbering	Treatment in Package	Initiative Title	Mof Package 31 03 21 5 Year OPEX Total (\$m)	Proposed Package 01 04 21 5 Year OPEX Total (\$m)	Difference in Totals	Mof Package 31 03 21 10 Year CAPEX Total (\$m)	Proposed Package 01 04 21 10 Year CAPEX Total (\$m)	Difference in Totals	
1	In	Moving towards pay parity in early learning	191.365	191.365	-	1.044	1.044	-	
2	In	Reform of the Tomorrow's School System	185.314	185.314	-	53.810	53.810	-	
		Tomorrow's Schools: ESA			-	1.066	1.066	-	
		Tomorrow's Schools: Flexible Fund			10.000	-	-	-	
		Tomorrow's Schools: Curriculum				52.006	52.006	-	
			-	-	-	-	-	-	
		Tomorrow's Schools: Network Function			-	0.738	0.738	-	
			-	-	-	-	-	-	
		Tomorrow's Schools: Depreciation and CC	-	-	-	-	-	-	
3	In	Ensuring the viability of vocational education and training	279.508	279.508	-	-	-	-	
4	In	Addressing urgent Treaty commitments to the Wānanga sector	32.250	32.250	-	-	-	-	
5	In	Addressing Inequitable Funding of Wānanga	9(2)(i)		-	-	-	-	
6	In	Supporting Pacific bilingual/immersion education in schooling	12.400	12.400	-	0.644	0.644	-	
8	In	Deliver sustained Professional Learning and Development to embed Tapasā	-			-			
9	In	Funding the Next Phase of the National Education Growth Plan	45.191	45.191	-	266.000	266.000	-	
10	In	Property funding to build and expand schools delivering Māori Medium Education	14.165	14.165	-	77.070	77.070	-	
11	In	Purchasing Land for New Schools	14.875	14.875	-	85.000	85.000	-	
12	In	Meeting Cost Increases in Legacy Redevelopment Projects	33.751	33.751	-	150.000	150.000	-	
13	In	Christchurch Schools Rebuild Programme	17.100	17.100	-	56.000	56.000	-	
14	In	Supporting the co-location of Marlborough Boys and Girls Colleges and the relocation of Bohally Intermediate	1.103	1.103	-	6.300	6.300	-	
15	In	9(2)(i)							
16	In	Meeting the Operational Costs of a Growing School Property Portfolio		45.000		-	-	-	
17	In	Improving the property at State-Integrated Schools	52.800	52.800	-	-	-	-	
9(2)(j)									
19	In	Investigating and negotiating Pay Equity Claims	29.347	29.347	-	0.480	0.480	-	
20	In	Maintaining pay rates for NZQA's Specialist Workforce	10.000	10.000	-	-	-	-	
21	In	Transforming the Education Funding System	18.507	18.507	-	34.738	34.738	-	
22	In	Database Upgrades for School's Payroll and Holiday's Act Assessment	15.000	15.000	-	-	-	-	
23	In	Continuing Digital Access for Principals and Teachers	12.653	12.653	-	-	-	-	
24	In	Implementing the equity index in schools and kura	18.078	18.078	-	4.928	4.928	-	
25	In	Student Achievement: NCEA Pāngarau, Te Reo Mātaatini, Numeracy and Literacy	10.000	10.000	-	-	-	-	
27	In	Addressing Demand Increases for Attendance Services	20.873	20.873	-	-	-	-	
28	In	Annual cost adjustment for Schools' Operational Grant	90.049	90.049	-	-	-	-	
29	In	Annual cost Adjustment for maintaining quality in early learning services	100.688	100.688	-	-	-	-	
30	In	Annual Cost Adjustment to Tertiary Tuition and Training Subsidies to maintain real value of funding	110.747	110.747	-	-	-	-	
31	In	Funding increase for Alternative Education provision	4.444	4.444	-	-	-	-	
32	In	Maintaining interventions for learners who require direct Ministry support	24.320	24.320	-	-	-	-	
33	In	Completing the Reform of Vocational Education – Transition and Integration	33.400	33.400	-	13.850	13.850	-	
34	In	NCEA Change Programme – A Strengthened NCEA for All New Zealanders	92.513	92.513	-	8.149	8.149	-	
35	In	Prime Minister's Vocational Excellence Awards	-	-	-	-	-	-	
36	In	Extending the temporary Hardship Fund for Learners in tertiary education for the 2021 calendar year	10.000	-	(10.000)	-	-	-	
37	In	Literacy success and child wellbeing through Reading Together* Te Pānui Ngātahi partnerships and Duffy Books in Homes	-	-	-	-	-	-	
38	Out	Holiday's Act Remediation for School and Ministry Payroll	277.500	277.500	-	-	-	-	
39	Out	Depreciation Impacts of Revaluing the School Property Portfolio	36.000	36.000	-	-	-	-	
40	FNA	Intensive support for primary students with wellbeing and behavioural needs that may be challenging to others	-	-	-	-	-	-	
41	FNA	Hardship Fund FNA	-	-	-	-	-	-	

Total Package	
Total Out of Package	
Total	

BUDGET SENSITIVE - Appendix B - Proposed Updates to Education Package as at 01 April 2021 - BUDGET SENSITIVE									
Bilateral A3 Numbering	Treatment in Package	Initiative Title	MoF Package 31 03 21 5 Year OPEX Total (\$m)	Proposed Package 01 04 21 5 Year OPEX Total (\$m)	Difference in Totals		MoF Package 31 03 21 10 Year CAPEX Total (\$m)	Proposed Package 01 04 21 10 Year CAPEX Total (\$m)	Difference in Totals

Proactively Released

Hon Chris Hipkins

MP for Remutaka

Minister for COVID-19 Response

Minister of Education

Minister for the Public Service

Leader of the House



02 April 2021

Hon Grant Robertson
Parliament Buildings
WELLINGTON

Dear Grant,

I have received your proposed Education Budget package and note the need to reduce the overall size, considering the tight Budget allowances.

Although I am largely happy with the package you have proposed, I am concerned about the proposal to remove the Flexible Fund within the Tomorrow's Schools initiative, as this is a core enabler of how we want the Ministry of Education (through the ESA) to be working more closely with the education sector going forward.

I am also concerned about the proposal to remove the Reading Together/Duffy books initiative as there is very little in this Budget that supports literacy development. I also consider we need to continue to support the Prime Minister's Vocational Excellence Awards. These awards provide a valuable means to promote trades training to school leavers and build on the momentum we have created in this area.

Therefore, I propose the following minor changes to the package, using savings elsewhere within the package to create room to do this, while still keeping the package within the [REDACTED] envelope indicated by your office.

Initiative Title	Your Package 31 03 21 5 Year OPEX Total (\$m)	My Proposed Package 01 04 21 5 Year OPEX Total (\$m)
Reform of the Tomorrow's School System (total)	185.314	[REDACTED]
Impacted by:		
Tomorrow's Schools: Flexible Fund	[REDACTED]	[REDACTED]
Tomorrow's Schools: Curriculum	[REDACTED]	[REDACTED]
Literacy success and child wellbeing through Reading Together® Te Pānui Ngātahi partnerships and Duffy Books in Homes	-	11.645
Prime Minister's Excellence Awards	-	4.200
Meeting the Operational Costs of a Growing School Property Portfolio	[REDACTED]	45.000
Extending the temporary Hardship Fund for Learners in tertiary education for the 2021 calendar year	10.000	5.800
Totals	255.314	256.959

* the impact of these figures is included in the total row above

The Flexible Fund component of the *Reform of the Tomorrow's Schools System* is a critical component in empowering regions and allows the gains we made through Urgent Response Fund, funded from the COVID Response and Recovery Fund, to be continued. I have worked with my officials to provide [REDACTED] of funding for the Flexible Fund, by reducing the Curriculum component in the Tomorrow's Schools initiative by [REDACTED], and using [REDACTED] of the other savings set out below. This would create a total of [REDACTED] for this initiative.

I consider reducing the value of *Meeting the Operational Costs of a Growing School Property Portfolio* by [REDACTED] to be viable. I have worked with my officials to rephase this funding over the four-year forecast period, avoiding a future large funding cliff that would need to be managed in future budgets.

I propose we reduce the funding for the *Extending the temporary Hardship Fund for Learners* initiative from \$10 million to \$5.8 million. As you are aware there is currently a Cabinet paper lodged seeking to reprioritise \$4.2 million of funding to extend the Hardship Fund. When combined with the proposed \$5.8 million above that would put in place \$10 million in funding to enable tertiary providers to assist tertiary students with the ongoing impacts of COVID.

My proposed revisions to the Education Budget package total to [REDACTED] of operating expenditure. Capital expenditure would remain unchanged at [REDACTED]

Thank you for the opportunity to submit changes to the 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